ANNUAL REPORT 2010

KEY FINANCIAL FIGURES

	2010	2009
Revenue (in million euros)	**3,723.6**	3,240.3
including ticket sales (in million euros)	**3,407.5**	2,966.5
EBITDAR (in million euros)	**618.5**	503.6
EBIT (in million euros)	**(9.3)**	28.5
Consolidated loss for the year (in million euros)	**(97.2)**	(9.5)
Earnings per share (in euros)	**(1.14)**	(0.13)
Total assets (in million euros)	**2,370.1**	2,411.5
Employees (31.12.)	**8,900**	8,278

OPERATING FIGURES

(2009 PRO FORMA: INCLUDING TUIFLY CITY LINES AS OF 1 JANUARY 2009
AND INCLUDING NIKI LUFTFAHRT GMBH AS OF 1 JULY 2009)

	%	2010	2009
Passengers (in thousands; "pax")	+3.77	**33,593**	32,373
Destinations (31.12.)	+21.64	**163**	134
Aircraft at year end	+3.68	**169**	163
Available seat kilometers (in billions; ASK)	+3.74	**58.78**	56.66
Load factor (%; pax/capacity)	–0.68	**76.79**	77.47

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ANNUAL REPORT 2010

MESSAGE OF JOACHIM HUNOLD, CHIEF EXECUTIVE OFFICER OF AIR BERLIN PLC

JOACHIM HUNOLD
CHIEF EXECUTIVE OFFICER

DEAR SHAREHOLDERS,

We are not satisfied with the profit developments in the 2010 financial year. The decrease in profits is disappointing, particularly since airberlin overcame the global economic crisis in 2009 better than most airlines and being one of only a few to post a higher profit. As late as the fourth quarter, management continued to expect that the results for the previous year would be exceeded. The nine-month figures and the bookings at the time indicated that this would be the case. After all, we had coped with numerous additional expenses in the first half year. I don't need to remind you of the cold and expensive 2009/10 winter and the volcanic eruption in Iceland. Thousands of airberlin flights were cancelled due to the air space restrictions lasting days.

However, then came the onset of a cold 2010/11 winter and, again, flight cancellations leading to enormous additional expenses. The large snow masses had an early and significant impact, restricting air travel in Europe. In December alone, approximately 800 airberlin flights were cancelled due to weather conditions. I can still clearly see the pictures of blocked runways and landing strips covered in snow. The air traffic controllers' strike in Spain heavily affected our key connections to, and within, Spain. As a result we decided in January 2011 to adjust our market guidance downwards. Nevertheless, despite everything, we had 33.6 million passengers, a new passenger record. I would like to give a warm welcome to our new passengers as well as thanking all airberlin passengers for their loyalty!

In the 2010 financial year, airberlin remained on course despite all of these difficulties, forging ahead with its strategic development.

The first matter to mention is the increase of our stake in NIKI Luftfahrt GmbH. NIKI has opened up attractive opportunities for the airberlin group in the Eastern European market from its home airport, Vienna. Moreover, we have rigorously continued our growth strategy followed in recent years and have concluded numerous additional codeshare agreements with international airlines considerably expanding the range of services we offer to our passengers.

Exceptional prospects arise from our upcoming membership in the international air travel alliance **one**world® scheduled for 2012. I believe this agreement to be one of the greatest strategic steps ever taken by airberlin: It will grant both us and our passengers access to the leading global network in international air travel – with all the long-term opportunities which come from working together with the numerous first-class airlines in the alliance.

In 2010, we again improved our financing with a further decline in net debt of almost EUR 85 million, i.e. 15 per cent. The optimisation of our aircraft fleet contributed to this reduction. The decline in the equity ratio is, in addition to the impact of the earnings development, a result of a shareholder-friendly capital measure: In order to avoid a dilution in shareholder value, we repurchased most of the convertible bond issued in August 2009. This repurchase resulted in the equity component of the convertible bond decreasing, which led to an equity reduction. As a result, the number of shares into which holders can convert their bonds has fallen by 88 per cent as a result. Moreover, thanks to this transaction, our financing costs are set to decrease from 2010 to 2014 by a total of EUR 76.1 million.

The current 2011 financial year has started with new challenges, both in terms of revenue and costs. I have already mentioned the costs associated with the 2010/11 winter. The uprisings in Tunisia and Egypt, where we are the German market leader, have also led to many hundreds of airberlin flights being cancelled. The political instability has also led to massive price increases for aviation fuel and fuel prices are likely to remain high as long as this uncertainty remains. We will pass on the additional expenses by way of a fuel surcharge in the ticket prices.

Where domestic air travel is concerned, the German aviation tax is expected to increase pricing pressure. Therefore, the aviation tax should lead to a change in demand behaviour, the extent of which is however difficult to predict. We intend to counter such pressure by adjusting capacities in Germany and optimising the route network, which should increase fleet productivity in 2011. Further cost reductions, which we are realising at the operational level in the current year, may be offset by the numerous non-quantifiable additional expenses.

We also will be expanding our network in international air travel during 2011, not least in order to prepare for membership in the international air travel alliance, **one**world®, which will start in 2012. These plans include, among others, new connections to San Francisco and Vancouver.

In light thereof, we are expecting our passenger numbers to increase in the 2011 financial year by four to five percent and a simultaneous increase in the seat load factor. Therefore we anticipate today that revenue can be increased and that, if the above-mentioned risks are overcome, a positive result (EBIT) can be generated. However, due to the above-mentioned influencing factors, a meaningful quantification is not currently possible.

Berlin, March 2011

J. Hunold

Joachim Hunold
Chief Executive Officer

CHAIRMAN'S STATEMENT

FINANCIAL POSITION

Business development in 2010 was largely characterised by extraordinary natural events, which affected European air traffic as a whole. As an airline focusing specifically on this region, airberlin was particularly affected. The harsh winters of 2009/10 and 2010/11, which saw extra-ordinary snowfall, brought significant additional expenses while the five-day flight ban in European air space due to the volcanic eruption in Iceland led to numerous airberlin flight cancellations.

As a result, revenue grew only slightly on a comparative basis and income was affected by the additional expenses. However, the performance improvements on the operating level achieved in the 2010 financial year partially compensated for the negative influences. This was one reason why prospects for 2010 as a whole remained positive up until the fourth quarter: At this point, we still expected to exceed the previous year's EBIT. However, the very early onset of winter in 2010, with heavy snowfall, put an end to these expectations.

Despite these difficult conditions, airberlin continued with its strategic development.

With the increase in shareholding in NIKI Luftfahrt GmbH, the airberlin group obtained another strong and profitable partner which offers us attractive growth opportunities, especially in the Eastern Europe market. Vienna airport will develop into a further hub for the group. With this purchase, we are bringing a previously extensive collaboration under the group umbrella.

Further codeshare agreements have been concluded with several international airlines, which have allowed us to expand the portfolio of our collaborations and the range of services we offer to our passengers. A great strategic step for airberlin is the agreement to become a member in the leading international air travel alliance **one**world® as of 2012. This will give airberlin passengers access to a worldwide network. The close cooperation with numerous leading international airlines will provide the airberlin group with strategic prospects well into the future. Joining **one**world® will be a significant step in airberlin's history.

HANS-JOACHIM KÖRBER
CHAIRMAN OF THE BOARD OF DIRECTORS

In view of this, the results for the 2010 financial year at first glance appear to be mixed. After airberlin coped with the 2009 financial and economic crisis better than most airlines, the extraordinary natural events which occurred in the reporting year affected us more than other airlines. However, the key point to remember is that the numerous strategic directions set in the 2010 financial year open up attractive prospects to the group in a market which will continue to be dominated in the future by fierce competition and a challenging regulatory environment. In the view of the Board of Directors, the group is well equipped for this.

THE WORK OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors leads the committee and ensures its effectiveness and efficiency in all of its tasks. This includes communicating with the shareholders and making sure that all directors participate fully in the Board's activities and meetings. The constructive teamwork of the members of the Board of Directors in 2010 is worthy of particular appreciation.

The Board of Directors had four regularly scheduled meetings in the 2010 financial year: on 18 March, 9 June, 19 August and 30 November. In its meetings, the Board discussed all key issues related to the development of the markets relevant to the airberlin group, the current course of business, the position of the group as well as its financial, liquidity and risk situation. Where necessary, resolutions were adopted.

Especially in the light of the extreme weather conditions in the 2009/10 winter and the flight cancellations due to the volcanic eruption in Iceland in April 2010, business development and planning for the reporting year were repeatedly the subject of detailed discussion.

In connection with key financing issues, as well as to avoid any dilution of shareholder value due to conversion, the repurchase of the convertible bond issued in August 2009 was discussed and a resolution to effect such repurchase adopted. In November 2010, approximately 88 per cent, i.e. by far the largest share, was redeemed. This reduced the number of shares into which the holders of convertible bonds can convert their outstanding bonds from approximately 31.2 million to approximately 3.9 million. Repurchase of the remaining outstanding convertible bonds also is intended. The financing of the repurchase in November 2010 was undertaken through a simultaneous issuance of a 5-year bond. In accordance with IFRS, the repurchase of the convertible bond reduces the financing costs by a total of EUR 76.1 million for the years 2010 through 2014.

With regard to the strategic development of the airberlin group, during the reporting year the Board discussed the future collaboration with NIKI Luftfahrt GmbH in particular depth and decided to increase airberlin's shareholding in the company. In doing so, the company's well-established brand name and its legal independence is to be maintained in the future.

Planning for the 2011 financial year was also a topic discussed at the Board meetings. For example, budgeting for the 2011 financial year included decisions to adjust capacity in Germany in connection with the introduction of the air travel tax. Moreover, it was also decided to continue the "Jump" programme for improving the group's operating performance in the 2010 financial year and to introduce a new performance programme, "Accelerate 2012", for the years up to and including 2012.

In a meeting on 19 August, the Board discussed the invitation from the internationally leading air travel alliance **one**world® which would include airberlin as a member of the alliance as of 2012. This invitation was accepted and the preparatory steps approved.

PERSONNEL

There were changes to the Board of Directors in 2010.

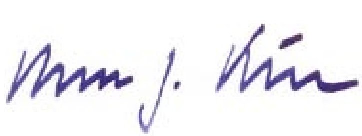
Dieter Pfundt resigned as a Non-Executive Director with effect from 28 February 2010. As his successor, Peter R. Oberegger, who is a financial expert with international experience and, until the end of 2010, was the personally liable partner of the Vorwerk & Co. KG, was appointed to the Board of Air Berlin PLC as a new Non-Executive Director . His position commenced on 2 March 2010.

On 31 December 2010, Johannes Zurnieden resigned as Chairman of the Board of Directors of Air Berlin PLC. Johannes Zurnieden has been a member of the Board since May 2006 when he also was appointed Chairman. The Directors have thanked him for this extraordinary commitment as Chairman and are delighted that he is willing to continue to support the Company as a Non-Executive Director.

With effect from 1 January 2011, the Board appointed Dr Hans-Joachim Körber as his successor. The Board of Directors continues to benefit from the support of experienced managers Hartmut Mehrdorn, Ali Sabanci, Heinz Peter Schlüter and Nicholas Teller as Non-Executive Directors.

THANKS

Significant strategic directions were again set in 2010, thus helping to expand the airberlin group's future prospects. Despite the difficulties caused by natural events, airberlin stayed on course in the 2010 financial year. Without these negative external influences, operating performance and the operating results could have been even better. The number of our passengers further increased even though the volcanic eruption led to numerous flight cancellations. However, it is due primarily to our employees and their commitment that airberlin once again received numerous awards from experts as well as passengers even in a financial year with such strong headwinds: airberlin was, once again, one of the most popular airlines in 2010. Management and all group employees are to be thanked for this performance.



Hans-Joachim Körber
Chairman of the Board of Directors

THE BOARD OF DIRECTORS

CHRISTOPH DEBUS

ULF HÜTTMEYER

JOACHIM HUNOLD

Executive Directors

JOACHIM HUNOLD

CHIEF EXECUTIVE OFFICER

Born on 5 September 1949 in Düsseldorf, Germany, and married with four children. After completing secondary school in 1970, Mr Hunold studied law and began his career in aviation in 1978 with Braathens Air Transport, Düsseldorf. From 1982 until 1990 he held the position of Sales and Marketing Director with the LTU Group. In April 1991 Mr Hunold founded Air Berlin GmbH & Co. Luftverkehrs KG and, after the acquisition of Air Berlin Inc., has headed the Air Berlin Group, initially as the Managing Partner and, since the creation of the new holding company structure, as its CEO, effective as of 1 January 2006.

ULF HÜTTMEYER

CHIEF FINANCIAL OFFICER

Born on 9 July 1973 in Wildeshausen, Germany, and married with two children. Following studies in economics, concluding with a degree in business administration, Mr Hüttmeyer began his career in 1996 as an analyst with Commerzbank in the credit and financing division followed by various assignments in Germany and overseas (Singapore). Thereafter, Mr Hüttmeyer served as Group Manager for Corporate Client Services in Berlin and was promoted to Director at the beginning of 2005. On 1 February 2006 Mr Hüttmeyer was appointed CFO of Air Berlin PLC.

CHRISTOPH DEBUS

CHIEF OPERATING OFFICER

Born on 1 March 1971 in Herborn, Germany, and married with two children. After studying industrial engineering at the TU and ECL Lyon, he began his career with Roland Berger Strategy Consultants, where he became a partner in 2004. From January 2005 until 31 May 2009, Mr Debus was Managing Director and Chief Financial Officer at Condor Flugdienst GmbH. He was appointed Chief Commercial Officer (CCO) of Air Berlin PLC on 1 June 2009. In January 2011 he was appointed Chief Operating Officer (COO).

Non-Executive Directors

DR HANS-JOACHIM KÖRBER

CHAIRMAN OF THE BOARD OF DIRECTORS SINCE 1 JANUARY 2011

Born on 9 July 1946 in Braunschweig, Germany, and married with one child. Dr Körber completed his university studies in brewery technology (graduate brewmaster) and business administration (graduate business administrator, doctorate) at the Technical University of Berlin. In 1985, after several years in executive positions within the R. A. Oetker Group, Dr Körber joined Metro SB-Gross-märkte (cash-and-carry markets and one of the legal predecessors of METRO AG) and until 1996 held various executive positions in Germany and abroad. From 1996, with the founding of METRO AG, he was a member of the Management Board and, from 1999 to 2007, CEO. Dr Hans-Joachim Körber has been a member of the Board of Directors since 9 May 2006 and upon the retirement of Johannes Zurnieden on 31 December 2010, its Chairman.

JOHANNES ZURNIEDEN

CHAIRMAN OF THE BOARD OF DIRECTORS (UNTIL 31 DECEMBER 2010)
MANAGING DIRECTOR AT PHOENIX REISEN GMBH, BONN

Born on 28 June 1950 in Bergisch-Gladbach, Germany, and married. After completing secondary school and studies in law and psychology at the Rheinische-Friedrich-Wilhelms University in Bonn, he assumed the position of Managing Director at Phoenix Reisen GmbH in 1973. In 1994 he was appointed Deputy Chairman of the Supervisory Board of the German Fare Insurance Association (Deutscher Reisepreis Sicherungsverein) and in 1998 Vice-President of the German Tourism Association (Deutscher ReiseVerband). He also has accepted appointments to the advisory boards of the insurance company Europäische Reiseversicherung AG, Commerzbank and Sparkasse Köln-Bonn. Johannes Zurnieden has been a member of the Board of Directors since 9 May 2006 and was its Chairman until 31 December 2010.

DR-ING. E. H. HARTMUT MEHDORN

Born on 31 July 1942 in Warsaw, Poland, and married with three children. After studying mechanical engineering in Berlin (graduate engineer), Hartmut Mehdorn began his career in the development section of Focke-Wulf. From 1966 to 1978 he worked for VFW, his last position being that of production head at MBB. From 1979 – 1984 he was a member of the management of Airbus Industrie S.A. in Toulouse. Between 1984 and 1989 Hartmut Mehdorn was head of the MBB Transport- und Verkehrsflugzeuge Group and from 1985 was also a member of the MBB management team in Munich. From 1989 to 1992 Hartmut Mehdorn was Chairman of Deutsche Airbus GmbH in Hamburg and, from 1992 – 1995, was a member of the board of Deutsche Aerospace AG. Mr. Mehdorn also served as Chairman of the board of Heidelberger Druckmaschinen AG from 1997 to 1999, and, from 1998 to 1999, was also a member of the Board of RWE AG. From December 1999 to April 2009 Hartmut Mehdorn was CEO and Chairman of the Board of Deutsche Bahn AG. Dr-Ing. E.h. Hartmut Mehdorn has been a member of the Board of Directors since 1 July 2009.

PETER R. OBEREGGER

FORMER PERSONALLY LIABLE PARTNER OF VORWERK & CO. KG

Born on 21 January 1966 in Munich, and married with two children. After studying business administration at universities in Munich and Vienna, he was Regional Sales Manager at Hitachi Europe from 1989 to 1990 and at Fujitsu Germany from 1990 to 1993. From 1993 to 2000 he held various positions at the Nokia Corporation, most recently as Director of Nokia Deutschland GmbH and General Manager at the Nokia Display Europe. From 2001 until the end of 2006, he was President and CEO of the Division Vorwerk Thermomix and, from 2006, Executive Vice President of Vorwerk & Co. KG. From January 2007 until end of 2010, he was the personally liable partner of Vorwerk & Co. KG. Peter Oberegger has been a member of the Board of Directors since 1 March 2010.

ALI SABANCI

MEMBER OF THE BOARD OF ESAS HOLDING AND CHAIRMAN OF PEGASUS AIRLINES

Born on 5 May 1969 in Adana, Turkey, and married with two children. After specialising in politics and economics at Tufts University, USA, between 1987 and 1991, he worked as a Financial Analyst for Morgan Stanley & Co. Incorporated until 1993. He received his MBA degree with a major in International Finance at Columbia Business School in 1995. Upon his return to Turkey, Mr Sabanci worked as an assistant manager at Akbank. From 1997 Ali Sabanci worked as the Head of Projects in the Sabanci Holding and, in 2001 he was appointed as its Executive Vice President of Strategy and Business Development. In March 2004 he resigned from all duties at Sabanci Holding and was appointed to the Board of ESAS Holding A.S. Ali Sabanci has been a member of the Board of Directors since 18 May 2009.

HEINZ-PETER SCHLÜTER

CHAIRMAN OF THE SUPERVISORY BOARD OF TRIMET ALUMINIUM AG, DÜSSELDORF

Born on 16 October 1949 in Rübehorst/Ruppin, Germany, and married with three children. After training as a merchant in wholesale and foreign trade at W&O Bergmann, he began his career as a metal trader in 1971. Following positions in Hamburg, London and Paris, he assumed overall responsibility for trading in 1979 and joined the management in 1982. In 1985 he founded TRIMET Metallhandelsgesellschaft as sole proprietor. With the acquisition of Aluminiumhütten Essen (1994) and Hamburg (2006), as well as smelters and foundries in Gelsenkirchen (1993) Harzgerode (2001) and Sömmerda (2001), TRIMET ALUMINIUM AG today employs around 1,600 staff working with aluminium. With an overall production of over 450,000 tonnes, his company is Germany's largest producer of aluminium. TRIMET operates offices in Berlin and Turin, as well as other offices in Beijing, Moscow, Prague and Zug via a stake in TRIMET CH. Heinz-Peter Schlüter has been a member of the Board of Directors since 1 April 2008.

NICHOLAS TELLER

CHIEF EXECUTIVE OFFICER OF E.R. CAPITAL HOLDING GMBH & CIE. KG

Born on 16 June 1959 in London, England, and married with two children. Following completion of secondary school in Düsseldorf, he studied at the University of Birmingham (Bachelor of Commerce). His career began in 1982 with Commerzbank in London. Twelve years later he was appointed Branch Director of Commerzbank Prague and later to the Executive Management of the Hamburg branch. From 2002 to 2003 Mr Teller was a Regional Board Member and was a member of the Management Board of Commerzbank AG between 1 April 2003 and 31 May 2008. Since 1 August 2008 he has served as Chief Executive Officer of E.R. Capital Holding GmbH & Cie. KG in Hamburg. In addition, he is also a member of the Central Advisory Board of Commerzbank AG, the Management Board of Eurex Zürich AG and the Board of Directors of the American Chamber of Commerce in Germany e.V. Nicholas Teller has been a member of the Board of Directors since 9 May 2006.

Always the 1st Choice

airberlin provides all passengers with the right offer – wherever they want to fly.

- **Attractive prices**
- **Excellent service**
- **Optimum route network**
- **Comfort on the ground and in the air**

– all this makes airberlin the number one choice!

That's why this is the guiding principle of our current campaign that puts our passengers first.
On the following pages we will encounter it on long and short trips – alone, as a couple or in a group.
airberlin connects – people and cities, people and countries.
Be they business partners, friends or lovers, we make sure that people arrive and connect.

airberlin

1st Choice
for frequent flyers

Turning a journey into joy: airberlin was also distinguished in 2010 with the "Business Travel Award 2010" as the "Best Short-Haul Airline". And frequent flyers benefit particularly from this. We were commended for our ideas in the topbonus frequent flyer plan by the magazine Airline Business, and received the "Loyalty Award 2010" from management company Global Flight, which specialises in frequent flyer programmes.

airberlin

1st Choice

for city hoppers

Have you already seen everything at home? Don't worry; there's lots to discover. And there's more and more each year. Air Berlin has expanded its route network by many attractive destinations in the past year and now offers even more opportunities to discover the world. After all, the sky's the limit.

airberlin

1st Choice
for expeditions

I've seen it myself! In the Alps there is also snow in the summer. The ocean is so wide that you can fly across it for an hour and still not be there yet. The sun always shines above the clouds. Stewardesses are very pretty and friendly. I'd also like to become a stewardess. Or a pilot.

airberlin

1st Choice

for shopping addicts

Shopping is almost as nice as flying. The best thing to do is to combine the two:
London has the craziest shops. Milan has the best shoes. The coolest bags are in Zurich and the trendiest clothes in Paris.
The hottest young labels are in Berlin. And airberlin takes us there.

1st Choice
for environmentally friendly flying

Breath alone unfortunately does not suffice to get an aircraft flying. However, we do everything to make flying as eco-friendly as possible. State-of-the-art technology, process optimisation and efficient air traffic control in Europe are the key components. In 2010 we reduced our CO_2 consumption by 45,700 tonnes through special savings measures of this kind.

airberlin

1st Choice

for the newly smitten

If you would much rather hold hands on the beach than read a book on the sofa: we took millions of holidaymakers to their own personal paradise this year – from Miami beach to the desert sands of Dubai to Lake Wannsee.

2010 ROUTE NETWORK

AIRBERLIN GROUP

2010 DESTINATIONS

174 TOTAL DESTINATIONS

~ 250,000 FLIGHTS TOTAL CONNECTIONS

NEW FROM SUMMER 2010

2× WK	DÜSSELDORF DE	SAN FRANCISCO US
	DE	BILBAO ES
	COLOGNE/BONN DE	PISA IT
	DE	VALENCIA ES
1× WK	DE	ALGIERS DZ
2× WK	DE	BRINDISI IT
	FRANKFURT DE	MALAGA ES
	MUNICH DE	MALAGA ES
2× WK	DE	BRINDISI IT
	STUTTGART DE	VALENCIA ES
	DE	MALAGA ES
1× WK	DE	BODRUM TR
2× WK	DE	BRINDISI IT

2010 INTERCONTINENTAL FLIGHTS

INTERCONTINENTAL FLIGHTS FROM BERLIN	9 DESTINATIONS	FREQUENCY PER WEEK	18 FLIGHTS
INTERCONTINENTAL FLIGHTS FROM DÜSSELDORF	14 DESTINATIONS	FREQUENCY PER WEEK	35 FLIGHTS

NEW FROM WINTER 2010/11

	BERLIN TEGEL DE	DUBAI UAE
	DE	MIAMI US
	DE	MOMBASA KE
3 × WK	DÜSSELDORF DE	INNSBRUCK AT
3 × WK	DE	KLAGENFURT AT
	DE	BARI IT
4 × WK	HANOVER DE	SALZBURG AT
2 × WK	DE	ARVIDSJAUR SE
	COLOGNE/BONN DE	BARI IT
	MUNICH DE	OLBIA IT
2 × WK	STUTTGART DE	ARVIDSJAUR SE
	DE	BARI IT

AIR BERLIN PLC
ANNUAL REPORT 2010

THE AIRBERLIN SHARE

Strong headwinds. 2010 brought about the upturn in the global economy. However, the European airlines still suffered. Ice and snow, volcanic ash and the air traffic controllers' strike in Spain resulted in thousands of flight cancellations.

AIRBERLIN SHARE PRICE PERFORMANCE IN 2010

2010 was not a good year for airline stocks

The 2010 stock market year was not a good year for airline stocks. While the airlines' share price development had been in line with the general market trend well into the month of April, the VOLCANIC ERUPTION IN ICELAND triggered an enormous setback. Airline stocks dropped more sharply than the general consolidation on the stock markets. The subsequent recovery was replaced in the summer by a plateau as a result of RISING OIL PRICES, while the overall market continued to record gains. This trend persisted into autumn 2010 without any significant changes. The EARLY ONSET OF WINTER placed an additional strain on the airlines' stocks.

The airberlin share price initially displayed a similar trend. Due to its heavily European-based route network, airberlin was hit particularly hard by the airspace restrictions imposed in Europe as a result of the volcanic eruption. As a result, the share price of airberlin was affected more severely than the airline index. In the further course of the year, the airberlin share initially moved in a lateral direction at a reduced level, and then increased by one-third from September to November to again reach the share price set at the beginning of the year. After the turn of the new year, the AIR TRAFFIC CONTROLLERS' STRIKE IN SPAIN and the early onset of winter triggered a renewed price adjustment for airline stocks and for the airberlin share as well.

Starting the year at EUR 3.97 (Xetra), airberlin shares initially rose sharply and reached their highest price of the year at EUR 4.47 on 19 January 2010. On 25 May 2010, at the end of the price adjustment resulting from the volcanic eruption, airberlin shares were trading at EUR 3.21. The lowest point in the year was reached on 1 October at EUR 2.97. From this level, an UPWARD MOVEMENT took its course, peaking at EUR 4.01 on 8 December. The year-end share price of EUR 3.71 was slightly below the 2009 year-end share price of EUR 3.76. The Dow Jones STOXX TMI Airlines Index recorded a rise of 11.3 per cent in 2010. The SDAX price index, which contains airberlin's stock, rose by 40.1 per cent in the same time period.

SUCCESSFUL BOND BUY-BACK LOWERS FUTURE FINANCING COSTS

On 10 November 2010, Air Berlin PLC issued a new bond with a volume of EUR 200 million to institutional and private investors. The bond, which is denominated in units with a nominal value of EUR 1,000 each, carries a coupon of 8.5 per cent. The bond was issued at 100 per cent of the nominal value and, should no early repayment occur, will be repaid on 10 November 2015 at 100 per cent of the nominal value. The bond (ISIN DE000AB100A6) is admitted for trading in the Open Market trading segment (Freiverkehr) of the Frankfurt Stock Exchange, in the Over-the-Counter Bond trading segment of the Baden-Württemberg Stock Exchange in Stuttgart, as well as in the Main Securities Market trading segment of the Irish Stock Exchange. The proceeds from the bond were used for refinancing purposes, primarily for repurchasing outstanding units of the convertible bond described below and for general company purposes.

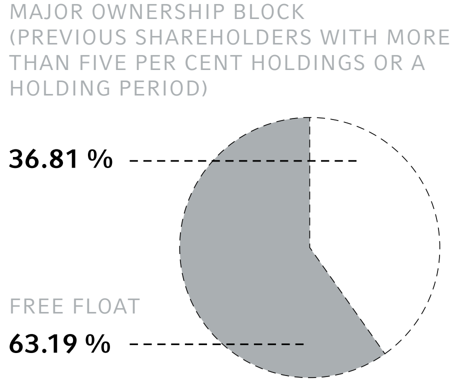
Bond buy-back prevents potential diluting effect

On 12 November 2010, airberlin announced its intention to repurchase from bond holders the EUR 125 million 9 per cent convertible bond issued in 2009 by Air Berlin Finance B.V. at 123 per cent of the original price, in the nominal amount of EUR 50,000 and in the aggregate nominal amount of EUR 109.45 million. The purchase price thus amounted to EUR 61,500 plus accrued interest per convertible bond. With a TOTAL PURCHASE PRICE OF APPROXIMATELY EUR 136.9 MILLION for a total of 2,189 bonds, airberlin did not exceed the maximum purchase amount of EUR 135 million plus accrued interest.

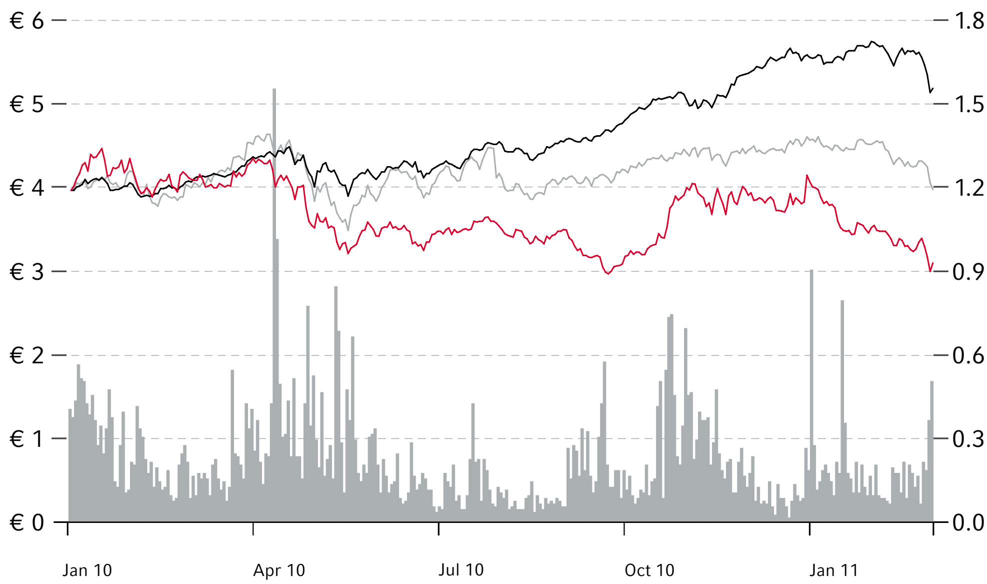
Number of convertible shares drops from 31.2 million to 3.9 million

In accordance with IFRS, this resulted in a one-time after tax expense of EUR 28.5 million and had an additional one-time direct impact on equity of EUR –24.2 million. Conversely, the buy-back will, in accordance with IFRS, result in a reduction in financing costs for the years 2010 through 2014 in a TOTAL AMOUNT OF EUR 76.1 MILLION. The buy-back of the convertible bond, issued 20 August 2009, prevents a potential dilution from the conversion and reduces the number of shares that the holders of convertible bonds can convert their outstanding bonds into from around EUR 31.2 million to around EUR 3.9 million. As less than 20 per cent of the originally issued total volume of the convertible bonds remain outstanding, the issuing company, Air Berlin Finance B.V., announced its intention to repurchase the remaining outstanding bonds at the nominal amount plus accrued interest.

SHAREHOLDER STRUCTURE AT AIR BERLIN PLC ON 31 DEC 2010



Relative performance airberlin vs. SDAX Price Index and Dow Jones STOXX TMI Airlines Index (EUR)



REVENUE AIRBERLIN SHARES (MILLION; XETRA + REGIONAL EXCHANGES; RIGHT)
AIR BERLIN (LEFT) — SDAX PREISINDEX (LEFT) — DOW JONES STOXX TMI AIRLINES INDEX (EUR; LEFT)

SOURCE: REUTERS

Dividend policies

In order to FINANCE ITS GROWTH and investments with the highest possible ratio of funds generated internally and to strengthen its balance sheet, airberlin will most likely reinvest its profits in the next few years. In the opinion of the Board of Directors, this will make the greatest contribution to creating shareholder value.

Analyst reviews of the airberlin share

14 analysts and research companies provide assessments of airberlin

airberlin is regularly covered and reviewed by both national and international banks and investment companies. For this reason, DETAILED COMPANY ANALYSIS of airberlin are published frequently. At the end of 2010, a total of 14 analysts and research companies were providing assessments of the Company. Three analysts recommended to buy, seven took a neutral stance and four recommended to sell or to underweight the stock.

Alongside the high level of interest in airberlin, a publicly held company with a strong brand name, TRANSPARENT AND TIMELY REPORTING is the main priority of our capital market communications. We maintain ACTIVE DISCUSSIONS with the investment community and are always in close contact with influential opinion leaders in the market. airberlin considerably improved its position in all major IR rankings and received the following awards in 2010: Börse Online Best Investor Relations Deutschland – BIRD 2010, 4th place in SDAX (previous year: 17th place), as well as the 2010 German Investor Relations Award (Thomson Reuters Extel Surveys, WirtschaftsWoche and DIRK), and 9th place in SDAX (previous year: 24th place). The interactive airberlin website about our IR activities (ir.airberlin.com) provides the public with a wide range of current and relevant information about the Company.

THE AIR BERLIN PLC SHARE IN THE 2010 BUSINESS YEAR

Share capital	EUR 21,306,549 and GBP 50,000
Total number of issued and registered shares on 31 December 2010:	85,226,196 shares
Class:	Registered shares
Nominal value:	EUR 0.25
Bloomberg symbol:	AB1 GY
Reuters symbol:	AB1.DE
ISIN:	GB00B128C026
WKN:	AB1000
Accounting standard:	IAS/IFRS

2010 MARKET DATA

Trading segment:	Regulated Market (Prime Standard)
Primary industry:	Transport and logistics
Industry group:	Airlines
Indices:	SDAX, Prime All Share, Classic All Share
Designated Sponsors:	Commerzbank AG, Morgan Stanley Bank AG
Market capitalisation on 31 December 2010:	EUR 316.2 million
Free float (Deutsche Börse AG) on 31 December 2010:	63.19 per cent
Capitalisation of free float on 31 December 2010:	EUR 199.8 million
Average daily trading volume 2010 (shares):	XETRA: 196,922
Regional Bourses:	30,297
Total:	227,219

- The shares are officially traded on Xetra and on the Frankfurt Stock Exchange. Trading is carried out on the regulated official markets at the exchanges in Berlin, Bremen, Düsseldorf, Hamburg, Munich and Stuttgart.
- airberlin shares are registered common stock. In accordance with various Air Transport Agreements and EU Directives, entry in an appropriate schedule of names giving information on the distribution of the shares by nationality ensures that a majority of the shares are held by German and European investors. The registrar for the shares is Registrar Services GmbH, Eschborn.
- Additionally “A shares” have been distributed. For further information, refer to page 131.

MAJOR SHAREHOLDERS IN AIR BERLIN PLC ON 31 DECEMBER 2010

Shareholders	Holdings in per cent *
ESAS Holding A.S.	16.48
Hans-Joachim Knieps	7.51
Leibniz-Service GmbH/TUI Travel PLC	6.85
Reidun Lundgren (Metolius Foundation, Ringerike GmbH & Co. Luftfahrtbeteiligungs KG)	5.97
Werner Huehn	3.82**
JP Morgan Chase & Co.	3.70**
Rudolf Schulte	2.93**
Severin Schulte	2.93**
Joachim Hunold (CEO Air Berlin PLC)	2.64**
Moab Investments Ltd.	2.39**
Johannes Zurnieden	1.58**
Heinz-Peter Schlüter	1.40

* Information to the best of the Company's knowledge.
** Shareholders of less than five per cent of the total outstanding shares are allocated to free float.

DIRECTORS' DEALINGS (GERMAN SECURITIES TRADING ACT – WPHG – SECTION 15A)

In accordance with Section 15a of the German Securities Trading Act (WpHG) and Chapter 3 of the UK Disclosure and Transparency Rules DTRs, members of the Board of Directors have a legal obligation to disclose the sale or acquisition of shares in Air Berlin PLC or related financial instruments carried out by a Board member or parties related to him within a calendar year. This also applies to certain employees with managerial responsibilities and parties closely associated to such employees. Air Berlin PLC has been notified of the following transactions for the 2010 financial year. These transactions have also been published on the IR website of airberlin (http://ir.airberlin.com/index.php?id=directorsdealings).

CHANGES TO THE SHAREHOLDER STRUCTURE SUBJECT TO MANDATORY DISCLOSURE IN THE 2010 FINANCIAL YEAR

Date of transaction	Action	Number of individual share certificates	Amount (EUR)
Hans-Peter Schlüter (party with managerial responsibilities; Non-Executive Director)			
29 March 2010	Transfer of shares	1,200,000	4,956,000.00

SHAREHOLDER STRUCTURE PER NATIONALITY ON 31 DECEMBER 2010

	in per cent
Germany	67.22
Turkey	16.48
Switzerland	8.75
USA	2.40
UK	1.71
Austria	1.20
Other	2.24
Free float as per Deutsche Börse AG standard	63.19

Division of share capital	
Private investors	43.48
Investment companies, banks and insurance companies	43.24
Other institutional investors and corporations	13.28

On 31 December 2010, the share capital of Air Berlin PLC was held by a majority of German investors at 67.22 per cent. In total, approximately 33,000 shareholders are registered in the Company's share register.

DIRECTORS' REPORT AND BUSINESS REVIEW

The elements. Mountains of snow on the runways, ice on the wings, ashes in the air: Mother Nature took her toll on the airlines in 2010, including airberlin. Successful operational performance could not fully compensate for lost revenue and higher expenses.

COMPANY PROFILE

COMPANY STRUCTURE AND OPERATING ACTIVITIES

LEGAL FORM

Air Berlin PLC is run by a Unitary Board

As the legal parent of the airberlin group, Air Berlin PLC has the legal form of a PLC (PUBLIC LIMITED COMPANY) because it was established in England. The Company was founded in England and Wales with its registered office in Rickmansworth and its management based in Berlin. As a PLC, the Company is run by a UNITARY BOARD, which comprises Executive Directors and Non-Executive Directors. The Directors during the financial year and changes to the Board during the financial year are listed on pages 10 to 14 and page 99 respectively.

UNIQUE BUSINESS MODEL WITH A CLEAR BRAND STRATEGY

airberlin is the second largest German airline

With 8,900 employees, a fleet of 169 aircraft and 33.6 million passengers, the airberlin group is the second largest airline in Germany (as at 31 December 2010). Measured by the number of air passengers, airberlin ranks sixth in Europe. The Company has been a member of the International Air Transport Association (IATA) since 1997 and, accordingly, is deemed a scheduled carrier. In addition, airberlin became the thirty-seventh member of the Association of European Airlines (AEA) at the beginning of 2011.

"airberlin" is a strong brand

The airberlin group follows a CLEAR BRAND STRATEGY with its strong "airberlin" brand, which is well-established throughout Europe. As a "hybrid carrier", airberlin is the only European airline to occupy the gap between classic full-fare airlines and low-cost carriers (LCC) with very limited services. As such, airberlin sets STANDARDS IN INTERNATIONAL COMPETITION by combining low prices with outstanding service on the ground and in the air to offer a price/performance ratio which is unique in the industry.

airberlin's business model primarily targets THREE MAJOR CUSTOMER GROUPS: business passengers, private individuals and organisers of package holidays. The three target groups exhibit different characteristics, which include both shorter-term seasonal demand and more medium-term demand cycles. They thus complement each other ideally. Weaker phases in one group can normally be compensated for by higher demand from the other customer groups. This leads to the STABILISATION OF BUSINESS PERFORMANCE, both during the year as well as over longer periods of time.

Among the target customers, the growth recorded in the business passengers group, in particular the corporate customers, stood out in particular. After the number of contracts with corporate customers increased by nearly 40 per cent to 1,155 in the 2009 financial year, the customer base was expanded by an additional 24.8 per cent to 1,441 during the reporting year.

Growth through targeted accommodation of customer demands

airberlin wishes to continue generating its corporate growth from the potential offered by all three customer groups. To this end, a target group-specific incentive program will be offered and the route network will be optimised systematically to meet the demands of the respective customer group. This optimisation will be implemented primarily by way of THREE STRATEGIC MEANS:

- further expansion within airberlin's traditionally strong coverage of European holiday and city destinations
- targeted expansion of intercontinental routes
- a growing number of code-sharing partnerships

ATTRACTIVE INCENTIVES

Lots of good reasons to come and stay: the "topbonus" frequent flyer plan

With its unique positioning as a hybrid carrier and more, airberlin has made itself even more attractive to customers by offering innovative incentive programs. In this regard, airberlin's MULTI-AWARD-WINNING FREQUENT FLYER PLAN, "topbonus", is the centre of focus. With topbonus, airberlin provides strong incentives for customers to remain loyal to the airline. At the same time, topbonus also comprises an ELEMENT OF AIRBERLIN'S GROWTH STRATEGY. In addition to the standard award miles offered in the airline industry, the topbonus program allows airberlin customers to take advantage of numerous additional offers and obtain access to an exclusive circle of top partner companies and their offers. The range of services comprises numerous travel-related services, financial services and press services. When flying, topbonus customers not only earn award miles for free flights, but also status miles for many exclusive perks such as priority check-in, free seat reservations, additional baggage allowance, free sports baggage, double award miles for favourite routes, personal contact partners and much more.

Helping medium-sized companies the airberlin way: topbonus business points

SMALL AND MEDIUM-SIZED COMPANIES in particular can benefit from topbonus and reduce their costs. When flying with airberlin and NIKI, employees accumulate valuable business points which can redeem for award miles. When they choose airberlin, companies benefit from low prices and their employees enjoy the outstanding service.

Customer focus and a family-friendly attitude take centre stage

The slogan "airberlin. Your airline." reflects the core elements of airberlin's market presence, customer focus and convenience. The group therefore uses all distribution channels, from traditional booking via a travel agent or telephone to the different opportunities for online booking. airberlin customers can even check in using the transparent, user-friendly airberlin website or by mobile phone. The numerous convenience solutions also include a dedicated 24/7 service centre staffed with competent contact persons. However, the services on offer go much further than the actual services related to flying itself. For example, airberlin works closely with several partners from the fields of travel services and financial services as well as with the press. Premium partners provide additional services directly via the airberlin website.

airberlin places considerable importance on being a FAMILY-FRIENDLY airline. For example, children between the ages of two and eleven pay only two-thirds of the regular price. Unlike traditional low-cost carriers, airberlin provides snacks and drinks free of charge to its passengers on all flights.

ATTRACTIVE ROUTE NETWORK

airberlin flew to 174 destinations in 2010

airberlin operates a worldwide flight network with a STRONG BASE IN GERMANY, AUSTRIA AND SWITZERLAND. Southern Europe, in particular the Spanish market, has traditionally been a core region. Within the interconnected European route network, the Company flies to 21 destination airports in Germany. Düsseldorf, Berlin, Nuremberg and Munich, as well as Palma de Mallorca, are airberlin's HUBS. With its partner airline NIKI, the hub city of Vienna has now become a strategically important gateway to Eastern Europe and the Middle East for airberlin. The interconnected, optimally structured route network with its many hubs ensures short distances, thereby increasing the flying convenience for passengers, both on the ground and in the air.

Systematic expansion of code-sharing partnerships

airberlin has systematically expanded its CODE-SHARING PARTNERSHIPS in the last few years. This has allowed the Company to utilise numerous development opportunities in international air traffic. As of late 2010, the Company had partnerships with the fourth-largest airline in China, HAINAN AIRLINES, with RUSSIA'S S7 AIRLINES, which enables airberlin access to the largest domestic route network in Russia, with PEGASUS AIRLINES, Turkey's largest private airline, as well as with Thailand's BANGKOK AIRWAYS, the biggest US carrier AMERICAN AIRLINES and Finland's FINNAIR.

Membership in oneworld® opens up new global prospects

airberlin's upcoming membership in the GLOBAL **one**world® ALLIANCE represents a major strategic step forward. Numerous reputable international airlines have joined together to form **one**world®: American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LAN, Malév Hungarian Airlines, Mexicana, Qantas and Royal Jordanian, as well as roughly 20 other affiliates such as American Eagle, Dragonair, LAN Argentina, LAN Ecuador and LAN Peru. According to current planning, airberlin's full membership in the alliance will commence in spring 2012.

oneworld® was voted the leading airline alliance worldwide for the seventh time in a row at the 2010 World Travel Awards. Since the award was first presented in 2003, **one**world® is the only alliance to have ever received it. In addition, **one**world® was also crowned the "World's Best Alliance" by the World Airline Awards. Measured in terms of revenue, the alliance possessed economic earning power of roughly USD 90 billion in 2009.

ATTRACTIVE GROWTH OPPORTUNITIES IN EASTERN EUROPE WITH NIKI

On 5 July 2010, airberlin announced the increase of its stake in NIKI LUFTFAHRT GMBH from 24 per cent to 49.9 per cent. Air Berlin PLC & Co. Luftverkehrs KG, a subsidiary of Air Berlin PLC, acquired an additional 25.9 per cent of NIKI Luftfahrt GmbH's shares indirectly from the private Lauda foundation. The purchase price for the shares was EUR 21.0 million. NIKI Luftfahrt GmbH has been fully consolidated in the financial statements of Air Berlin PLC, effective as of 1 July 2010, but will remain a legally independent company with its own management. The NIKI BRAND, which is well known and successfully positioned on the market, WILL BE RETAINED.

A plethora of synergy and growth potential

With the increase of the stake, NIKI, with whom an extensive cooperation already existed, was brought under the airberlin umbrella, with numerous opportunities for synergies and growth. With NIKI as a partner, the market presence of the airberlin group in Austria will be enhanced considerably and the VIENNA AIRPORT WILL BECOME A FURTHER AIRBERLIN HUB and developed into a gateway to Eastern Europe.

airberlin established NEW FLIGHT CONNECTIONS with NIKI to Sofia, Bucharest, Copenhagen and Nice in the reporting year. Further routes to Olbia/Cagliari, Belgrade and Barcelona complement airberlin's range of destinations.

CORPORATE STRATEGY

airberlin's corporate strategy is focused on INCREASING THE VALUE OF THE COMPANY. Steady, above-average and profitable growth in the classic growth market of international travel is the cornerstone of airberlin's value-added strategy.

Worldwide unique position "Hybrid Carrier"

The main driving force behind the growth of airberlin group is the worldwide unique position of airberlin as a "HYBRID CARRIER". With this market position between the traditional low-cost carriers ("no frills airlines") with severely reduced service and the traditional flagship airlines ("full-fare airlines") with a very good level of service but high prices, airberlin offers the best of both worlds: HIGH QUALITY AND OUTSTANDING SERVICE AT ATTRACTIVE PRICES.

Profitability will be increased through high operating efficiency and strict cost awareness in the entire airberlin group and attractive source markets, in particular those centred on the hubs. Concentration on the three major customer groups (business passengers, private individuals and organisers of package holidays) contributes to the stabilization of business performance and profits, even in economically difficult times.

Clearly defined brand essence: the friendly airline

airberlin markets its position aggressively and uses all marketing channels. The BRAND ESSENCE is outlined clearly with the well-established and widely familiar slogan "airberlin. Your Airline." as the friendly airline for the entire flight-related service package. It is also supported by an unmistakable brand philosophy with a high recognition value. The community character of the airberlin brand philosophy takes centre stage here. The main goals of this brand strategy are long-term, stable customer loyalty while also appealing to new attractive target groups. Its message is CONVENIENCE AND THE BEST-POSSIBLE VALUE FOR MONEY when it comes to flying.

COMPANY MANAGEMENT

A TRIAD FOR SUCCESS: SAFETY – EFFICIENCY – FOCUS ON PROFIT

Safety and efficiency are not mutually exclusive

Complying with all relevant safety regulations takes top priority with the COMPANY'S MANAGEMENT on the ground and in the air. Strict cost and process efficiency take centre stage when it comes to operating and strategic management. Improving these aspects in all group divisions represents a permanent, group-wide duty for all employees in a leadership position. With regard to the group's organisational structure, this maxim results in an extremely FLAT AND TRANSPARENT STRUCTURE. Cross-divisional tasks are performed centrally by the relevant departments, flight operations, on-board service and technical service divisions, with the latter department operating through a dedicated subsidiary company.

EBITDAR measures financial and operational success

Internally, the group uses EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) as a reflection of its earnings. EBITDAR is broadly used as the generally comparable OPERATING PERFORMANCE RATIO in the aviation industry and by investors and analysts.

Airlines which finance and keep a larger share of their aircraft on their books generally incur higher depreciation, and possibly higher interest costs. By contrast, companies that lease more aircraft have comparatively high expenses for materials and services, where leasing costs are booked. OPTIMISATION of the proportion of owned aircraft compared with leased aircraft and maximisation of the results from operating activities after financing can only feasibly occur on the basis of EBITDAR, as it adjusts the operating result (EBIT) by the two expense types, depreciation and leasing costs.

An additional important operating indicator in aviation, and hence for airberlin as well, is the SEAT-LOAD FACTOR as the basis for fleet and aircraft utilisation. It is the quotient from revenue passenger kilometres (RPK) and available seat kilometres (ASK). In addition, the AVERAGE YIELD PER PASSENGER, kilometres flown or passenger kilometres measure the specific sales power. airberlin operates a fully developed yield management system, which is optimised on a continuous basis to systematically increase average yields.

NON-FINANCIAL PERFORMANCE AND MANAGEMENT INDICATORS

In addition to financial and organisational management, the airberlin group to a large extent uses the non-financial performance indicators described below for management purposes:

Modern human resources relations

When it comes to flying, airberlin strives to provide the BEST SERVICE in the industry worldwide. All of our employees contribute toward the achievement of this ambitious goal. To ensure such achievement, airberlin draws on its state-of-the-art, ethically sound and forward-looking HUMAN RESOURCES MANAGEMENT, which is dedicated to the long-term success of the Company. ESTEEM, FAIRNESS AND RESPECT in interacting with one another, personal responsibility and equal opportunity, as well as attention to and facilitation of individual strengths by means of basic and advanced training are the major cornerstones. The employees are not only expected to merely fulfil requirements, they are also provided with opportunities to further their professional and personal advancement. This includes the compatibility of family and career, which is part of airberlin's value system.

Integrity in relationships with all business partners

Integrity is one of the key basic requirements for the long-term success of the airberlin group. RELIABILITY AND TRUSTWORTHINESS comprise the core of airberlin's values. airberlin's binding code of conduct sets forth the ethical framework for all actions and decisions. Through this code of conduct cross-border compliance with the values of the internationally organised airberlin group in spite of differences among the countries is to be ensured.

Further criteria

The reputation of airberlin in the equity and debt markets plays a key role in determining the AIRBERLIN GROUP'S ACCESS TO FINANCIAL RESOURCES and therefore in determining its competitive strength and growth potential. airberlin's presence on the capital market is characterised by timely, transparent and regular reporting, frequent and in-depth discussions and presentations with capital market participants, as well as a strong IR presence on a special multilingual investor relations website.

ECONOMIC CONDITIONS

OVERALL ECONOMY

The global economy recovered in 2010

In 2010, after the most severe crisis in the post-war period, the GLOBAL ECONOMY recovered significantly. The regional differences with regard to recovery, however, are large. The upturn was much stronger in the emerging economies than in the industrialised countries. The US and Japanese economies, for example, did not begin to pick up speed until well into the year. Only during the second half of the year did the US economy begin to show signs of revival, while the gross domestic products of Japan and the UK even declined slightly in the fourth quarter of 2010. The economic trend even within Europe and within the euro zone exhibited a high degree of variation in 2010. In many European countries, in particular in the Mediterranean region, HIGH GOVERNMENT DEBT AND DEFICIT-RIDDEN GOVERNMENT BUDGETS are a heavy burden, and the pressure to enact fiscal austerity measures has had a contractionary effect.

A broad-based upturn in Germany

By contrast, the GERMAN ECONOMY has been one of the benefactors of the global economic upturn, which has largely been driven by the emerging economies. Not only was the German economy able to quickly overcome the sharp economic downturn in 2009 through a STRONG RISE IN EXPORTS, but it also experienced broad-based recovery in the second half of 2010, which brought about a considerable improvement in sustainability. Due to the positive effect of the stock cycle in the manufacturing sector at the end of the recession, companies have, since mid-2010, again considerably expanded their EQUIPMENT INVESTMENTS. In addition, PRIVATE CONSUMPTION, which is the second major component of the domestic economy, rose over the course of the year. The export boom continued on parallel to the REVIVAL OF THE DOMESTIC ECONOMY.

The only slight rise in unemployment during the recession served to help revive consumption. This was a result of government-sponsored reduced working hours, which curbed unemployment significantly. The export boom was able to bring about a SUBSTANTIAL INCREASE IN JOBS. In 2010, the number of employed persons reached 40.5 million, the highest level since reunification. After shrinking by 4.7 per cent in real terms during the steep downturn of 2009, the overall German economy grew by 3.6 per cent in 2010. The harsh winter only mildly affected German economic growth in the fourth quarter. Germany thus considerably exceeds average growth among industrialised countries, which grew by 3.0 per cent on an aggregate basis.

The price of West Texas Intermediate increased by 15 per cent in 2010, Brent rose by 20 per cent.

Less volatile oil prices in 2010

After the extreme volatility of crude oil prices in the preceding years, the price for a 159-litre barrel of American light crude oil (WTI) rose by "only" a net amount of just over 15 per cent in 2010 from USD 79.39 at year-end 2009 to USD 91.38 at year-end 2010. However, BRENT, which is critical to airberlin's fuel purchasing, became much more expensive. The price rose in 2010 by 20.4 percent, from USD 78.26 to USD 94.23. Particularly in the second half of the year, both prices rose significantly in the wake of the general economic recovery. BRENT increased more than WTI.

WTI UND BRENT IN USD (SPOT PRICE)

SOURCE: REUTERS

Interest rate markets

Looking back, the interest markets seem to have turned a corner in 2010. Low global rates of inflation following the global economic crisis and the slow global economic recovery, which lasted well into the year, initially caused interest rates to decline. Returns on the German 10-year government bonds, the benchmark interest rate for the euro region, dropped from 3.40 percent at the beginning of the year to its lowest point of the year, 2.10 percent, on 31 August. Significant German economic recovery, along with rising fears of inflation following higher commodity prices, caused the trend to shift. At the end of December 2010 rates were nearly at three percent, i.e. 2.98 percent. As of the balance sheet date, the interest level changed very little for the year as a whole.

YIELD ON 10 YEAR GERMAN GOVERNMENT BONDS

SOURCE: DEUTSCHE BUNDESBANK

Forex markets

As of the balance sheet date, the Euro to US Dollar exchange rate did not change much in 2010. While it was 1.44 at the beginning of the year, the euro declined almost continually until the first week of June to an annual low of just under USD 1.20. Thereafter it recovered by early November, reaching almost the same rate as the beginning of the year. At the end of 2010 the US dollar/euro exchange rate was nearly 1.34.

EUR IN USD

SOURCE: DEUTSCHE BUNDESBANK

THE AIR TRAVEL SECTOR IN 2010

A marked recovery in worldwide air traffic...

The statistics compiled by the INTERNATIONAL AIR TRANSPORT ASSOCIATION (IATA), the global umbrella association of traditional full-fare airlines, show a marked recovery in air traffic for 2010. This increase should be considered in view of the crisis year 2009, which IATA characterised as the worst year ever in its post-war history. The traffic volume of the IATA airline companies, measured in terms of passenger kilometres flown (RPK), increased by a total of 8.2 per cent in 2010 after having fallen by 3.5 per cent in the previous year. Because industry capacity was expanded by only 4.4 per cent (measured in terms of ASK), the seat-load factor was able to improve to 78.4 per cent from its 2009 level of 75.6 per cent. According to IATA, its statistics cover 93 per cent of international air traffic.

The trend varied considerably among the individual regions in 2010 as well, however. While boom regions such as the Middle East (+17.8 per cent), Africa (+12.9 per cent) and Asia/Pacific (+9.0 per cent) recorded gains well above average and offsetting declines suffered in Africa and Asia in 2009, Europe (+5.1 per cent) and North America (+7.4 per cent) recorded below-average growth rates. According to ACI Europe, to which 125 European airports belong (thus representing roughly 80 per cent of European air traffic), the NUMBER OF PASSENGERS IN EUROPE rose by only 4.2 per cent. Although air travel in North America recovered from the downturn that occurred in the previous year, European air travel failed to reach its 2008 level. Notwithstanding the very cautious capacity expansion (+2.6 per cent) of the European IATA companies, capacity utilisation nevertheless increased noticeably from 76.4 per cent to 79.4 per cent.

During 2010, European airlines incurred a high level of extraordinary charges resulting from natural phenomena and from the effects of air traffic controllers and pilot strikes. Due to the HARSH WINTER OF 2009/2010, the RPK of the IATA companies increased by only 4.3 per cent in the first quarter, even though the previous year's figure had marked their low point in connection with the recession. In the further course of the year, the sharp downturn in April (–11.7 per cent compared with the same month of the previous year) and May, which was caused by the six-day air space restriction resulting from the VOLCANIC ERUPTION IN ICELAND, led to a mere 3.3 per cent increase in RPK during the half-year period. According to an IATA estimate, over 1.2 million passengers were affected daily by the volcanic eruption and the airlines lost USD 1.7 billion in revenue during the first six days alone as a result of flight cancellations.

...in Europe, however, the trend remained unsatisfactory in 2010

According to EUROCONTROL, 100,000 flights were cancelled in Europe due to the volcanic eruption. An additional 60,000 flights were cancelled in 2010 due to STRIKE MEASURES, which were called primarily because of government austerity measures and budget cuts. After the setback caused by the volcano, European recovery continued to lag considerably behind that of the other regions even in the second half of 2010, in particular because the early onset of winter led to further flight cancellations.

The ASSOCIATION OF EUROPEAN AIRLINES (AEA) also measured a rise in 2010 of only 2.5 per cent in passenger kilometres for its 36 member airlines after a drop of 4.5 per cent in 2009. Although passenger volume increased at a slightly higher rate (+3.1 per cent), this was nowhere near sufficient to offset the setback incurred in 2009 (–5.8 per cent).

Traffic figures in Germany slightly exceeded pre-crisis levels

In line with the above-average economic growth in Germany, German air traffic defied the negative overall European trend in 2010 by recording positive results. According to the GERMAN FEDERAL STATISTICAL OFFICE, 166.0 million passengers initiated or concluded their flights at German airports. This amounted to 5.0 per cent (8.0 million passengers) more than in the previous year. German air traffic was thus able to more than offset the 2009 downturn of – 4.5 per cent and even slightly exceed 2008 air traffic volume. Although domestic German air traffic (24.0 million; +1.8 per cent compared to 2009) had not yet fully overcome the crisis (–2.8 per cent compared to 2008), the number of international air traffic passengers (142.0 million; +5.6 per cent compared to 2009) had already surpassed the 2008 level by 0.7 per cent. The number of intercontinental passengers recorded a particularly large growth of 7.3 per cent.

OPERATIVE DEVELOPMENT

The operating performance of the Air Berlin Group is presented below on the basis of comparable figures (a pro forma view). The previous year's figures include TUIfly's full year city carrier business and, from 1 July 2009, the traffic figures for NIKI Luftfahrt GmbH, airberlin's subsidiary in Austria, which was consolidated as of 1 July 2010.

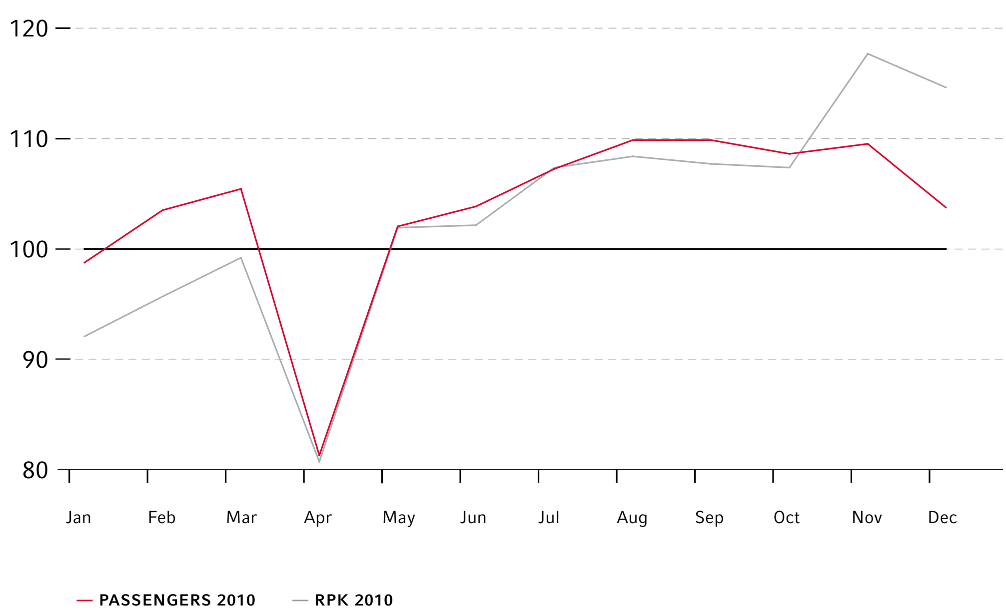
PASSENGER TRAVEL AND THE FLEET

The volcanic eruption in Iceland led to diminished results compared with the previous year

Operating performance was affected significantly in the reporting year by the numerous flight cancellations in connection with the VOLCANIC ERUPTION IN ICELAND in April. This is evident from the striking month-to-month development of passenger numbers and RPK. After the poor start to the year caused by the cold winter and the subsequent improved trend in February and March, passenger numbers and RPK dropped by 16.5 per cent and 17.0 per cent respectively in April compared with the same month of the previous year. The uncertainty surrounding potential future events with regard to the Icelandic volcano led only to a minor recovery in the following two months.

After a comparable start to the year, revenue passenger kilometres (RPK) as a proportion of available seat kilometres (ASK) took an unfavourable turn as well in the months following the volcanic eruption compared with the previous year. By contrast, in the further course of the second half of 2010 passenger numbers and RPK again exhibited a DYNAMIC TREND, which was however interrupted in December when nearly all of Europe was covered by a thick layer of snow. However, the ratio of RPK to ASK was above that of the previous year even at year end.

PASSENGERS AND RPK PER MONTH: CHANGE 2010 VS. 2009 (2009 = 100 PER CENT)



More passengers despite volcanoes and capricious weather

On the whole, the number of passengers rose by 3.8 per cent in the reporting year to 33,593,011 from last year's figure of 32,372,993. CAPACITY (number of available seats) in the reporting year was 43,744,029, which was 4.7 per cent above the previous year's figure of 41,786,488. Accordingly, the SEAT-LOAD FACTOR decreased by a slight 0.68 per cent to 76.79 per cent.

FLIGHT REVENUE PER PASSENGER dropped by 2.4 per cent to EUR 101.44 from the previous year's figure of EUR 103.92. Flight revenue per ASK also declined by 2.4 per cent to 5.80 eurocent from 5.94 eurocent and flight revenue per RPK declined by 1.7 per cent to 7.53 eurocent from 7.66 eurocent.

With regard to costs, lower overall fuel expenses and persistent efforts to reduce fuel consumption had a positive impact. There was only a minor change in the average route length (–0.9 per cent). In light of the 4.5 per cent lower overall fuel expenses and a 4.7 per cent increase in capacity (measured by the number of seats (per ASK: +3.8 per cent)), these costs were, as in the previous year, reduced significantly. They decreased by 8.9 per cent per seat and by 8.0 per cent per ASK. Fuel expenses fell by more than 7.3 per cent per RPK.

The operating profit margin, EBITDAR per passenger, fell in 2010 by 1.9 per cent to EUR 18.41 from EUR 18.76 in the previous year. The decline amounted to 1.9 per cent per ASK and 1.1 per cent per RPK. This allowed the significant improvements achieved in the previous year to be largely preserved, even though the numerous flight cancellations caused by the volcanic eruption resulted in a corresponding drop in revenue.

MATERIAL FLIGHT RELATED FIGURES (AS OF 31 DECEMBER)

	+/– per cent	**2010**	2009
Aircraft	+3.7	**169**	163
Flights	+5.4	**262,591**	249,202
Destinations	+21.6	**163**	134
Capacity (thousands)	+4.7	**43,744**	41,787
Passengers (thousands; "Pax")	+3.8	**33,593**	32,373
Passenger load factor (per cent; Pax/capacitiy)	–0.68*	**76.79**	77.47
Available seat kilometres (bn; ASK)	+3.7	**58.778**	56.659
Revenue passenger kilometres (bn; RPK)	+3.0	**45.244**	43.911
Number of block hours	+6.3	**520,948**	489,971
Average length per destination (km)	–0.9	**1,344**	1,356

* percentage points
2009 pro forma

airberlin has one of the youngest and most fuel-efficient fleets in Europe

The TOTAL NUMBER OF AIRCRAFT in 2010 rose to 169, compared with 152 in the previous year. With an average age of 5.0 years, the airberlin group's fleet continues to be one of the youngest and thus one of the most efficient in Europe with regard to fuel consumption.

FLEET AIR BERLIN GROUP (AS OF 31 DECEMBER 2010)

	Number End of 2010	Number end of 2009
A319	**19**	16
A320	**46**	36
A321	**11**	8
A330-200	**10**	10
A330-300	**3**	3
B737-300	**0**	2
B737-700	**27**	27
B737-800	**38**	37
B757	**0**	2
B767	**0**	1
Q400	**10**	10
E-190	**5**	0
Total	**169**	152

2009 as reported

Seasonal effects in utilisation (Pax/capacity)

		2010	2009
Q1	Pax	**6,235,175**	6,087,147
	capacity	**8,811,671**	8,506,715
	utilisation in %	**70.76**	71.56
Q2	Pax	**7,992,810**	8,248,267
	capacity	**10,788,810**	10,666,210
	utilisation in %	**74.08**	77.33
Q3	Pax	**11,079,972**	10,267,909
	capacity	**13,441,988**	12,314,027
	utilisation in %	**82.43**	83.38
Q4	Pax	**8,285,054**	7,769,670
	capacity	**10,701,560**	10,299,536
	utilisation in %	**77.42**	75.44
Year	Pax	**33,593,011**	32,372,993
	capacity	**43,744,029**	41,786,488
	utilisation in %	**76.79**	77.47

2009 pro forma

airberlin utilises the full range of electronic and conventional distribution channels

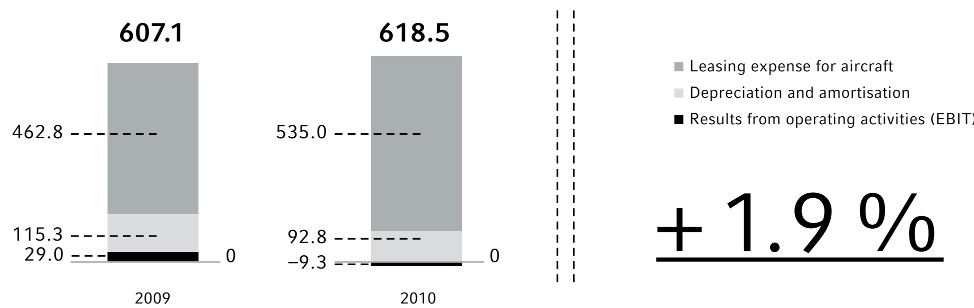
In the 2010 business year, airberlin sold approximately 65.9 per cent of its tickets via individual ticket sales and approximately 34.1 per cent through charter companies and tour organisers (bulk tickets). Individual ticket sales at airberlin exhibit a unique quality. Compared with the industry as a whole, airberlin continues to sell a high proportion of tickets via the conventional distribution channel of TRAVEL AGENCIES despite the strong growth of electronic distribution channels. Hence, airberlin utilises a balanced variety of effective and well-established distribution channels.

REVENUES FROM ADDITIONAL PRODUCTS AND SERVICES ASSOCIATED WITH FLYING

	2010 EUR million	2010 per cent	2009 EUR million	2009 per cent
In-flight sales	38.2	12.1	49.1	15.3
Ground services and others	277.9	87.9	272.0	84.7
Total	316.1	100.0	321.1	100.0

2009 pro forma

EBITDAR
(IN MILLION EUROS)



DEVELOPMENT IN FINANCIAL FIGURES

RESULTS

The following report on results is presented on the basis of comparable figures, i.e. the previous year's figures have been adjusted for the full year activities of TUIfly's city carrier business and those of NIKI Luftfahrt GmbH, airberlin's subsidiary in Austria, which was consolidated at the beginning of the third quarter of 2010 as of 1 July 2010. In the table on page 54, the figures for the reporting year 2010 are compared with the previous year's figures on a pro forma basis and with the originally reported figures for the 2009 financial year.

Revenue from single-seat ticket sales increased at an above-average rate

Net revenue in the 2010 financial year recovered slightly after the 2009 trend, which was shaped entirely by the global recession and had a particularly adverse impact on the international aviation industry. Hopes of a stronger recovery in the course of the overall economic recovery, in particular with regard to the European aviation industry, were foiled however by two harsh winters and the volcanic eruption in April of 2010. Revenue rose by 1.1 per cent to EUR 3,723.6 million from the comparable level of EUR 3,684.9 million. Revenue from SINGLE-SEAT TICKET SALES INCREASED at an above-average rate of 4.0 per cent to EUR 2,245.9 million from EUR 2,159.0 million. By contrast, revenue from the charter business declined, falling by 3.6 per cent to EUR 1,161.6 million from EUR 1,204.8 million.

Largely due to a lower proportion of long-haul routes, revenue from in-flight sales fell by 22.2 per cent to EUR 38.2 million from EUR 49.1 million. By contrast, REVENUE FROM GROUND SERVICES AND OTHER SERVICES grew by 2.2 per cent to EUR 277.9 million from EUR 272.0 million. Reduced technic revenue (–27.5 per cent to EUR 31.4 million from EUR 43.3 million) stood in sharp contrast to significantly increased revenue from freight services (+52.6 per cent to EUR 89.3 million from EUR 58.5 million). The group's own technical capacity was utilised to a greater extent internally, and as a result, it had less capacity available for providing services to third parties.

OTHER OPERATING INCOME increased in the 2010 financial year by 20.4 per cent to EUR 53.8 million from EUR 44.7 million. This was in particular the result of higher book profits due to disposals of fixed assets and the revaluation of the existing holdings in NIKI in the course of the consolidation. This increased total operating income in the reporting year by 1.3 per cent to EUR 3,777.4 million from EUR 3,729.6 million in the previous year.

EXPENSES FOR MATERIALS AND SERVICES as a proportion of revenue increased slightly during the reporting year from 70.3 per cent to 71.9 per cent. Up to EUR 2,677.5 million from EUR 2,590.1 million, the previous year's figure was exceeded by 3.3 per cent. Part of the reason behind this was HIGHER OPERATIONAL LEASING EXPENSES, which rose by 15.6 per cent to EUR 535.0 million from EUR 462.8 million. This increase resulted from the almost exclusive investment in aircraft during the 2010 financial year by operating leasing. At the end of 2010, airberlin's aircraft fleet consisted of 135 (previous year: 110) leased aircraft and 34 (previous year: 42) aircraft owned by the company itself. The fleet grew by a net amount of 6 aircraft on a pro forma basis.

A focus on leasing with regard to investments in aircraft raised operating leasing expenses

In addition, the slight weakening of the euro against the US dollar contributed to the increase in leasing expenses. In the airline industry, leasing payments are made in USD. A complete currency hedge, in particular for short-term exchange rate fluctuations, is not economically viable. In accordance with the investment policy focus on the use of leases in the 2010 financial year, depreciation expenses for aircraft fell by 22.2 per cent to EUR 67.7 million from EUR 87.0 million. Depreciation and leasing expenses for aircraft (cost of aircraft ownership) therefore increased by 5.4 per cent to EUR 503.8 million compared to EUR 477.9 million in 2009. Total depreciation on property, plant and equipment decreased by 18.2 per cent to EUR 86.1 million from EUR 105.3 million.

A sharp rise in fuel costs in the fourth quarter of 2010

FUEL EXPENSES exhibited a decline. Down to EUR 787.4 million from EUR 824.6 million, fuel expenses in the reporting year were 4.5 per cent lower. However, the reduction was considerably more pronounced after the first nine months of 2010, dropping by 12.2 per cent to EUR 575.3 million from EUR 655.4 million. The combination at the end of 2010 of the accelerated rise in price of crude oil (in particular regarding the price for Brent, which is of utmost importance for airberlin), the weakening of the euro against the US dollar and the early onset of winter led to a 25.4 per cent increase in fuel expenses in the fourth quarter of 2010 (from EUR 169.2 million to EUR 212.1 million).

Additionally, in the 2010 financial year the overall rise in fuel costs was counteracted by significant CONSUMPTION-REDUCTION EFFORTS. With the aid of these measures, consumption was cut in the 2010 financial year by 14,500 tonnes (1.1 per cent) under otherwise equal conditions. Further progress was achieved compared with the previous year, in which the efforts to reduce consumption led to savings of 10,900 tonnes (0.9 per cent).

Expenses for navigation services increased at an above-average rate

The harsh winter weather conditions at the beginning and the end of the year, and especially the air traffic controllers' strike in Spain, resulted in a sharp rise in expenses for NAVIGATION SERVICES. These expenses rose by 8.4 per cent to EUR 275.2 million from EUR 253.9 million. Other expenses for materials and services increased by 11.1 per cent to EUR 111.0 million from EUR 100.0 million. This is, however, attributable solely to a higher level of services received in connection with the expansion of freight activities, in particular external personnel. Expenses related to airport fees and handling charges increased by a slightly below-average rate of 2.3 per cent to EUR 837.5 million from EUR 819.0 million.

PERSONNEL EXPENSES increased by 5.0 per cent to EUR 471.8 million from EUR 449.4 million in the previous year.

Other operating expenses decline

OTHER OPERATING EXPENSES declined in the reporting period by 0.2 per cent to EUR 544.6 million from EUR 545.8 million. In general, higher commissions for single-seat ticket sales and advertising, increased other HR costs (primarily for work attire) and increased expenses for premises and vehicles stood in contrast to reduced expenses for insurance, lower consulting costs and lower IT expenses.

In the reporting year, OPERATING EXPENSES at the EBITDAR level (excluding leasing expenses, depreciation and amortization) exceeded the previous year's level by 1.2 per cent, rising to 3,158.9 million from EUR 3,122.5 million. In the absence of the numerous externally induced additional expenses operating expenses would have decreased considerably. Total winter-related additional expenses in the first quarter were approx. EUR 28 million, costs resulting from flight cancellations due to the volcanic eruption in the second quarter were around EUR 40 million and additional expenses incurred as a result of the air traffic controllers' strike and the early onset of the 2010/2011 winter amounted to an additional EUR 26.5 million. The total amount of externally induced expenses was equal to approx. EUR 94.5 million.

EBITDAR rose to EUR 618.5 million, EBIT dropped to EUR –9.3 million

Despite these additional expenses and declines in revenue resulting from flight cancellations, the profit figure EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) in the 2010 financial year improved by 1.9 per cent to EUR 618.5 million from EUR 607.1 million. Earnings before interest and tax (EBIT) amounted to EUR –9.3 million, compared with EUR 29.0 million in the 2009 financial year.

The FINANCIAL RESULT deteriorated from EUR –59.3 million in the previous year to EUR –133.3 million in the 2010 financial year. Higher financial expenses (EUR 115.4 million compared with EUR 65.3 million) stood in contrast to reduced interest income (EUR 6.8 million compared with EUR 25.4 million). In the previous year, interest income of EUR 21.3 million accrued from the partial buy-back of the convertible bond issued in 2007. This stands in contrast to the financial expenses in the reporting year resulting from the partial buy-back of the convertible bond issued in 2009 in the amount of EUR 42.2 million. Furthermore, higher losses from the valuation of derivative financial instruments and decreased foreign exchange gains had a negative net impact. Before special effects, the financial results of the year under review and the previous year were EUR –91.1 million and EUR –80.6 million respectively.

PRE-TAX EARNINGS in the 2010 financial year amounted to EUR –141.6 million compared with EUR –29.5 million in the previous year on a pro forma basis. The reported pre-tax result in the previous year amounted to EUR –21.7 million. After a tax benefit in the amount of EUR 44.4 million (compared with EUR 12.2 million in the previous year), the net result for the reporting year amounts to EUR –97.2 million (compared with EUR –9.5 million reported in the previous year).

Earnings per share (based on the average number of 85.048 million shares outstanding in 2010) thus amounted to EUR –1.14, compared with EUR –0.13 in the previous year (both basic and diluted).

PRO FORMA CONSOLIDATED INCOME STATEMENT 2010 / 2009

In EUR million	reported 2010	pro forma 2009	reported 2009
Single-seat ticket sales	2,245.9	2,159.0	1,845.4
Charter sales	1,161.6	1,204.8	1,121.1
Onboard sales	38.2	49.1	33.1
Ground services / others	277.9	272.0	240.8
Total revenue	**3,723.6**	**3,684.9**	**3,240.3**
Other operating income	**53.8**	**44.7**	**36.7**
Expenses for materials and services	(2,677.5)	(2,590.1)	(2,193.2)
thereof aircraft leasing expenses	(535.0)	(462.8)	(366.0)
Expenses for materials and services before leasing	**(2,142.5)**	**(2,127.3)**	**(1,827.2)**
Personnel expenses	**(471.8)**	**(449.4)**	**(440.7)**
Depreciation	**(92.8)**	**(115.3)**	**(109.1)**
Other operating expenses	**(544.6)**	**(545.8)**	**(505.5)**
Operating expenses before leasing and depreciation	**(3,158.9)**	**(3,122.5)**	**(2,773.4)**
Total operating expenses	**(3,786.7)**	**(3,700.6)**	**(3,248.5)**
EBITDAR	**618.5**	**607.1**	**503.6**
EBITDA	**83.5**	**144.3**	**137.6**
EBIT	**(9.3)**	**29.0**	**28.5**
Net financing costs	(133.3)	(59.3)	(51.0)
Share of profit of associates	1.0	0.8	0.8
Profit (loss) before tax	**(141.6)**	**(29.5)**	**(21.7)**
Income tax benefit	44.4	7.6	12.2
Profit (loss) for the period	**(97.2)**	**(21.9)**	**(9.5)**

NET ASSET POSITION

On the whole, little change in total assets

The TOTAL ASSETS of the Air Berlin Group experienced a slight decrease to EUR 2,370.1 million in the 2010 reporting year, marking a drop of 1.7 per cent compared with the previous year. However, as a result of the consolidation of NIKI Luftfahrt GmbH as of 1 July 2010, structural shifts occured on the ASSETS SIDE in both the long term and the short term.

Reduced capital intensity

Non-current assets declined by 8.0 per cent in total. This is mainly the result of a REDUCTION IN TANGIBLE ASSETS of 26.6 per cent (EUR 322.0 million), which for the most part includes disposals from the sale (and partial leaseback) of aircraft and engines with a carrying amount of EUR 530.3 million and of technical equipment and machinery in the amount of EUR 20.7 million. This stood in contrast to an overall increase in property, plant and equipment in the amount of EUR 243.9 million resulting from the STEP UP IN NIKI. Landing and trademark rights were also obtained in connection with the acquisition, which led to an increase in intangible assets of 21.8 per cent to EUR 387.4 million. Non-current loan receivables from the acquisition of NIKI in the amount of EUR 43.5 million contributed significantly to the 48.4 per cent rise in non-current receivables to EUR 157.7 million. On the whole, there was a reduction in capital intensity. Non-current assets accounted for around 63.8 per cent of total assets in 2010 (compared with 68.1 per cent in the previous year).

The 11.8 per cent rise in CURRENT ASSETS to EUR 858.8 million is primarily the result of the expansion of business and higher liquidity levels (EUR 411.1 million compared with EUR 373.2 million). The proportion of current assets to total assets increased to 36.2 per cent from 31.9 per cent.

Equity ratio of 21.3 per cent

The structure of the liabilities side of the balance sheet also changed in 2010. Primarily due to earnings and, to a lesser extent due to the reduced EQUITY component of the outstanding convertible bond (EUR 24.2 million; see Note 16) after the partial buy-back in November 2010, equity decreased by EUR 104.7 million (17.2 per cent) to EUR 505.3 million. Changes in the valuation of hedging instruments at the balance sheet date had a positive impact on equity. The PROPORTION OF EQUITY COMPARED TO TOTAL ASSETS was 21.3 per cent at the 2010 balance sheet date, compared with 25.3 per cent at the previous year's balance sheet date.

NON-CURRENT LIABILITIES dropped by 3.4 per cent to EUR 944.7 million from EUR 978.4 million. The decline in liabilities due to banks from assignment of future lease payments resulting from the sale of aircraft (EUR 244.8 million compared with EUR 583.2 million) and reduced negative market values of non-current derivatives (EUR 25.9 million compared with EUR 70.9 million) stood in contrast to higher interest-bearing liabilities (EUR 565.9 million compared with EUR 273.4 million). This increase in interest-bearing liabilities was the result of the NIKI step up (NIKI has a higher loan refinancing rate for aircraft), the net effect of the partial redemption of the convertible bond (reduction of the debt component) and the issuance of a bond. In November 2010, airberlin issued corporate bonds with a volume of EUR 200 million that will mature in 2015. Net proceeds amounted to EUR 192.5 million. Conversely, units with a total nominal value of EUR 109.5 million from a convertible bond issued on 20 August 2009 with a total volume of EUR 125 million were repurchased. Expenditures for the buy-back amounted to EUR 136.9 million.

CURRENT LIABILITIES increased by 11.8 per cent to EUR 920.1 million from EUR 823.1 million. This increase is primarily the result of higher trade and other payables as well as a higher amount of advance payments received in connection with single-seat ticket sales.

Reduction of net debt continued in 2010

NET DEBT continued to decline in 2010 after a significant drop in the previous year. Net debt amounted to EUR 489.2 million at the balance sheet date of the reporting year, compared with EUR 574.1 million in 2009 and EUR 762.0 million in 2008. Net debt of the year 2010 includes the figures of NIKI. Excluding the NIKI net debt portion, the group's net debt is below EUR 400 million, which is in line with previously communicated planning. GEARING (net debt as a percentage of equity) was 96.8 per cent at the end of 2010, compared with 94.1 per cent in 2009 and 204.8 per cent in 2008.

FINANCIAL POSITION

The development of the earnings situation pushed cash generated from operations down to EUR –14.1 million

CASH GENERATED FROM OPERATIONS in the 2010 financial year amounted to EUR 42.9 million (compared with EUR 184.2 million in the previous year) with depreciation of EUR 92.8 million (previous year: EUR 109.1 million) and EBIT of EUR –9.3 million (previous year: EUR 28.5 million). Trade receivables/payables had an impact on the cash generated from operations due to a EUR 5.3 million reduction in trade receivables and a EUR 5.6 million increase in trade liabilities. In addition, other current liabilities increased by EUR 4.4 million. Net cash inflows from net working capital positions (increase/decrease in inventories and trade accounts payable/receivable) amounted to EUR 8.4 million. This shows that airberlin has successfully managed its working capital. After taking income taxes paid and net interest paid into account, which amounted to a total of EUR 57.1 million (previous year: EUR 53.8 million), the net cash flow from operating activities came to EUR –14.1 million, compared to EUR 130.4 million in the previous year.

High income due to sale of aircraft

CASH FLOW FROM INVESTING ACTIVITIES amounted to EUR 449.9 million in the reporting period, compared to EUR –68.7 million in the previous year. Payments for investments in non-current assets and advance payments totalled EUR 77.1 million in the reporting period, compared to EUR 173.5 million in the previous year. This stood in contrast to income from the sale of non-current assets, in particular aircraft, which amounted to EUR 563.2 million (previous year: EUR 106.0 million). The provision of a loan to the private Lauda foundation in connection with the step up in NIKI Luftfahrt GmbH resulted in an outflow of cash totalling EUR 40.5 million, with a net incoming amount of EUR 4.3 million resulting from the business combination NIKI.

CASH FLOW FROM FINANCING ACTIVITIES was influenced considerably in the reporting period by the repayment of interest-bearing liabilities in the net amount of EUR 257.4 million (previous year: EUR 92.2 million) and the repurchase of outstanding convertible bonds in the amount of EUR 136.9 million. To a good part, the repayment of interest-bearing liabilities was facilitated by the sale of aircraft, whereas the repurchase of convertible bonds was financed through the issue of a corporate bond with a volume of EUR 200.0 million. There was a total outflow of EUR 402.3 million due to financing activities in 2010. In 2009, there was a total inflow of EUR 40.9 million, which was primarily due to the issuance of convertible bonds. Thus, in the 2010 financial year there was a net cash inflow, including foreign exchange gains on cash balances, in the amount of EUR 37.7 million (previous year: EUR 104.2 million).

SOCIAL RESPONSIBILITY

Experts in sustainability. Sustainability is a key component of airberlin's corporate philosophy. airberlin is behind numerous technical innovations for improving the environmental balance, both on the ground and in the air.

SUSTAINABILITY

Sustainability is part of the business-strategy at airberlin

The airberlin culture has always been based on sustainability. The economic success of any company, including airberlin, can only be sustained through the balancing of interests, which must be accompanied by socially responsible and environmentally-friendly actions. airberlin strives to convey this philosophy to its various interest groups on the capital market, to its customers and business partners and in particular to its employees. A good environmental balance, a firmly established commitment to society and a STRATEGIC MANAGEMENT SYSTEM DESIGNED FOR SUSTAINABILITY are the best foundations for remaining at the forefront of aviation.

We are pursuing three major sustainability goals. We strive to be experts in consumer protection and customer service as well as pioneers in climate and environmental protection, and we aim to promote and strengthen social cohesion.

EXPERTS IN CONSUMER PROTECTION

Numerous awards for quality and service every year

As a "hybrid" airline, attractive prices and top-notch service are not mutually exclusive at airberlin. We do not organise countryside outings with long bus rides to remote airfields. Instead, we fly directly to target destinations in commercial and tourist centres. And it pays off. airberlin has been receiving awards on a regular basis for years. These include honours from BUSINESS PASSENGERS for its good service, from FREQUENT FLYERS for its attractive frequent flyer plan, topbonus, from LEADING MARKET RESEARCHERS for its in-flight service (which includes free snacks and drinks, newspapers, seat reservation, entertainment systems and much more), for friendly cabin and service personnel and for being a CHILD-FRIENDLY AIRLINE, an accolade that airberlin is particularly proud of. airberlin appeals to business travellers and families alike.

A PIONEER IN ENVIRONMENTAL AND CLIMATE PROTECTION

As an energy-intensive industry, the aviation industry has a particular responsibility when it comes to combating climate change, despite the fact that it produces only 2 per cent of total worldwide man-made CO_2 emissions and only 14.3 per cent of worldwide CO_2 transport emissions. airberlin gives MAXIMUM PRIORITY TO ENVIRONMENTAL PROTECTION. A broad-based commitment to the environment is an integral component of airberlin's corporate philosophy and is also a prominent attribute that is becoming increasingly important for passengers and investors alike. Improving the ecological balance is therefore a permanent overriding objective of airberlin and all employees are called upon to pursue this. Even small contributions make a difference and their aggregate impact can be quite large.

airberlin has a tradition of setting standards in the area of environmental protection

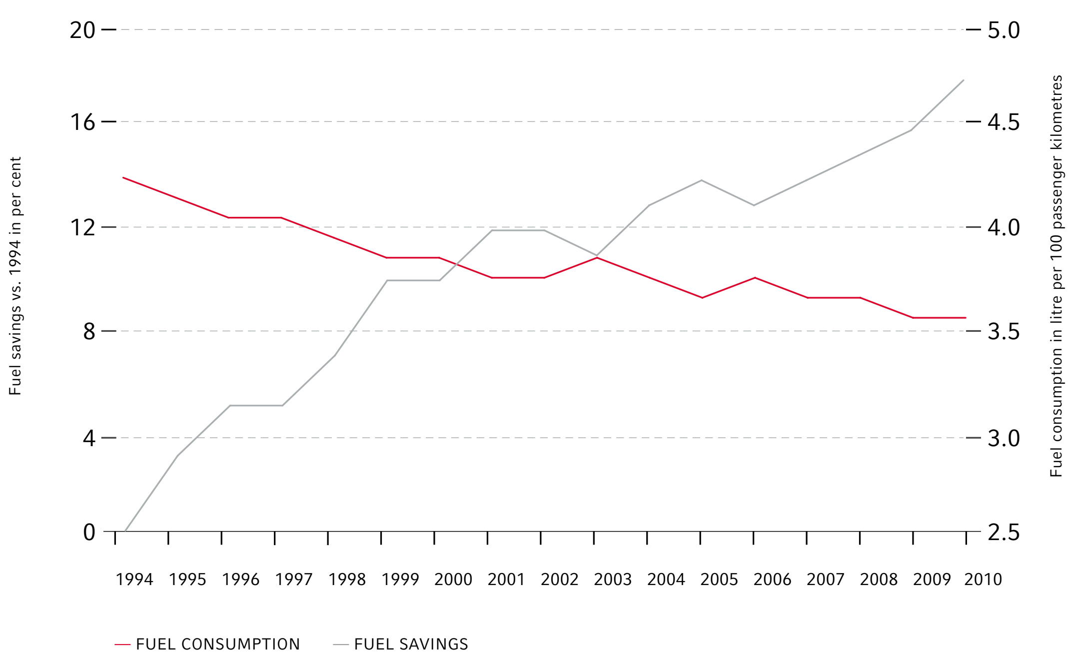
airberlin has taken the role of a pioneer and implemented numerous technological innovations aimed at IMPROVING THE ENVIRONMENTAL BALANCE. For example, as early as 2001 the Company installed winglets, and was the first European airline to do so, thereby setting the standard in the aviation industry. The wing tips improve the aerodynamics and lower jet fuel consumption by around 3 per cent. With implementation of the last two new technical innovations, the "SafeRoute™" software system and the satellite supported flight novation system, GBAS, airberlin remains at the cutting edge. airberlin was also the first airline in the world to start using digital flight maps as early as 2005. For airberlin, 2011 will be the year in which paper will be completely eliminated in flight operations.

airberlin operates one of the youngest and most fuel-efficient and quiet fleets in Europe

An airberlin aircraft that used 4.4 litres of fuel per 100 passenger kilometres in 1994 used only 3.6 litres in 2010. This is the lowest consumption figure in airberlin's history and was achieved through a decrease of 1.6 per cent in 2009 followed by a further 1.1 per cent reduction in 2010. The average consumption of most airlines exceeds four litres. One reason for this extraordinary sustainability rating compared with competitors is the fact that, with an average age of 5 years for its aircraft, airberlin operates one of the youngest and therefore most modern and efficient fleets in Europe. In addition, airberlin is extremely committed to operating a fuel efficiency program which covers all operating areas and has been extremely successful in recent years. In 2010 alone, the group's efforts in this regard lead to a saving of 45,700 tons of CO2 emissions following 34,300 tons in the previous year. This is equal to the emissions of an Airbus A330 on more than 300 flights from Düsseldorf to New York.

FUEL SAVINGS OF AIRBERLIN GROUP SINCE 1994

includes companies airberlin, LTU, belair, dba, LGW, WL Germania, WL TUIfly



SOURCE: AIRBERLIN

Efficiency improved slightly again in 2010, measured in terms of average specific fuel consumption (litres per 100 passenger kilometres). In 2008, the figure came to 3.70 litres. In 2009, it was reduced by 1.6 per cent to 3.64 litres and in 2010 by an additional 1.1 per cent to 3.60 litres. The average consumption of most airlines exceeds four litres.

Alongside the numerous optimisations in operations, the fleet modernisations initiated in 2008 contributed significantly to these efficiency improvements. In 2008, the Fokker 100s were replaced by the fuel-efficient Bombardier Q400 Turboprops. The Q400s are equipped with ultra-modern, very quiet six-blade propeller turbines. With jet-fuel savings of 30 to 40 per cent compared to jet aircraft of similar size, they are more cost-effective per passenger than the average car, while achieving nearly the same travel times as in a jet aircraft. The Boeing 757 and 767 were removed from the fleet in 2009 and replaced with an increased number of Q400 Turboprops. airberlin has replaced the older Boeing 737 Classic with the Boeing 737 Next Generation and new aircraft from the Airbus A320 family, both of which are jet-fuel efficient. The fleet structure was also further optimised in 2010 as the last classic Boeing 737-300, 757 and 767 models were removed from the fleet in spring. These measures resulted in significant additional efficiency improvements. The structural effects resulting from the fleet modernisation alone lowered jet-fuel consumption in 2010 by 2.3 per cent per flight hour.

FUEL SAVINGS IN FISCAL YEARS 2008 TO 2011E

	2008	2009	2010	2011e
Fuel in `000 tonnes	7.9	10.9	14.5	22.2
In per cent of total consumption	0.6	0.9	1.1	1.5
CO_2 in `000 tonnes	24.9	34.3	45.7	70.0
Consumption in tonnes per flight hour	3.26	3.17	3.06	3.00
Consumption per 100 RPK in liters	3.70	3.64	3.60	3.50

airberlin's young fleet also contributes to less noise in the sky and on the ground. All new aircraft delivered to airberlin are of course in compliance with the highest noise protection standards.

For airberlin, sustainability is the aggregate effect of many individual measures

In addition to the aircraft efficiency improvements with respect to fuel consumption and noise-reduction measures, airberlin is of course undertaking NUMEROUS ADDITIONAL MEASURES aimed at promoting ecological sustainability. For example, the airberlin aircraft are dry-cleaned, which avoids the creation of waste water and elaborate cleaning procedures. The washing intervals for the jet engines are optimised to ensure maximum fuel savings. To optimise the position of their centre of gravity, the aircraft are loaded according to a sophisticated system. The distribution of the passengers in the cabin is also organised according to this aspect. This improves considerably the aerodynamics of the aircraft and accordingly reduces fuel consumption. Flight and landing speeds are electronically optimised on a permanent basis to ensure minimum jet-fuel consumption through the use of the respective appropriate altitude and speed profile. In addition, airberlin utilises the innovative GBAS FLIGHT NAVIGATION SYSTEM. GBAS increases the number of approach alternatives, thus allowing more variable approach routes. As a result , flying over densely populated areas can be avoided, thus considerably facilitating noise prevention over such areas.

Savings potential exists in all phases, ranging from flight planning to flying, down to ground operations. Numerous optimisation measures are in place in all operational and scheduling areas that serve to achieve this objective. Prior to every flight, INTELLIGENT SOFTWARE optimises the route and flying altitude depending on the weather, load, airspace situation and other factors. The "TRAFFIC FLOW RESTRICTIONS MODULE" (TFR) complements the flight planning system and enables airberlin to optimise flight paths to the MOST ECONOMICAL ROUTE while taking into consideration current airway restrictions.

The "SafeRoute™" software system used by airberlin to maximise air safety calculates the optimum distance between incoming aircraft for the approach. This means that holding patterns are avoided, and passengers save valuable time. In addition, airberlin uses a sophisticated fuel management system which determines the optimum fuel level, including reserve fuel, prior to every flight. Furthermore, ALTERNATIVE AIRPORT PLANNING is optimised on a permanent basis. The optimisation of alternative airports for Palma de Mallorca and Malaga alone led to an overall 4,424 tonnes reduction in CO_2 emissions in 2010.

Reduced emissions on the ground and in the air, both before and after the flight

Slower flying speeds that lead to only very minor increases in flight durations for passengers but substantially reduce air drag are standard at airberlin. These environmental protection measures are also applied to airlines which fly wet leases for airberlin.

airberlin supports the "single European sky"

airberlin wholeheartedly supports the efforts aimed at the realisation of the SINGLE EUROPEAN SKY project (SESAR). The elimination of national airspace borders and the patchwork of national air surveillance in favour of a uniform Europe-wide solution would produce greater efficiency in air traffic control for the European member states. In addition to increased safety, this would also lead to an emissions reduction of up to 16 million tonnes of CO_2 per year (12 per cent).

SUSTAINABILITY ON THE CAPITAL MARKET

The capital markets reward sustainability

Convincing sustainability concepts are also valued on the capital market. With regard to their investment decisions, numerous institutional investors refuse to consider companies that neglect ecological and social responsibility issues. Sustainability can also lead to lower capital procurement costs. The renowned sustainability agency oekom research AG describes airberlin as an ATTRACTIVE INVESTMENT while also taking sustainability issues into consideration. oekom research awarded airberlin "PRIME" INVESTMENT STATUS for the first time in 2009. In the annual oekom Corporate Responsibility Ratings, a "Prime" rating is only given to companies which are leaders in their industry and which meet minimum requirements in the areas of ecological and social responsibility. The main areas which oekom evaluated positively were airberlin's progressive fleet policy, the focus on efficiency in operations and customer management.

EMPLOYEES

Number of employees in 2010 8,900

Compared with 8,278 in the previous year, airberlin employed a total of 8,900 people as at 31 December 2010. Women made up a 52.6 per cent majority of employees with 4,684 compared to 4,216 male employees. On average, employees have worked 7.3 years for the airberlin group and are 35.9 years old on average. airberlin has a total of 674 employees abroad, of which 185 are in Spain, 358 are in Switzerland and 92 are in Austria.

At the end of the reporting year, 2,063 people worked part-time for the airberlin group. Of these, 955 airberlin employees from the Cockpit/Cabin flight department are taking advantage of an EMPLOYMENT MODEL known as "Take a Month Off", with accordingly adjusted salaries. Depending on the situation at the various airberlin locations, a certain number of captains and/or co-pilots and cabin crews were granted a maximum of 6 free months in the 2010 calendar year. The PROPORTION OF PART-TIME EMPLOYEES to total employees is 23.2 per cent (previous year: 22.5 per cent).

EMPLOYMENT STRUCTURE AIRBERLIN

	31 Dec 2010	31 Dec 2009
Pilots	**1,370**	1,321
Cabin crew	**3,361**	3,168
Technical staff	**1,359**	1,110
Administration/services/others	**2,810**	2,679
Total	**8,900**	8,278

2009 as reported

NUMEROUS PROFESSIONAL TRAINING OPPORTUNITIES AT AIRBERLIN

Commercial and technical training opportunities

airberlin places high value on development prospects for every single employee and takes this into account with a diverse selection of TRAINING AND FURTHER EDUCATION OPPORTUNITIES. This involves giving young people the ability to make a promising start to their professional lives and offering them ideal conditions for their personal future. A wide range of traditional and technically orientated occupations which require professional training is made available to these young people at airberlin. There are training programs to qualify as air travel and air traffic clerks, office and industrial clerks and office communication clerks. For young people interested in technology, there is also the opportunity to receive training as an aircraft mechanic or electronic technician for aviation systems.

In 2010, 51 young women and men began their professional careers at airberlin in commercial or technical areas. Almost two-thirds of the apprentices in the commercial area were trained as travel and air traffic clerks, but professional training as an office clerk and clerk for office communication is also available. Possibilities for technical professions such as aircraft mechanics and electronic technicians for aviation systems top off the professional training offers. Distributed across all training year groups, 132 apprentices were working for the Air Berlin Group at the end of the reporting year. 18 of these successfully completed their training in 2010 and progressed to regular employment. airberlin also provides a wide selection of internship placements, and a total of 83 interns were employed in various departments as at 31 December 2010.

airberlin trains its own cabin crew

665 FLIGHT ATTENDANTS WERE TRAINED by airberlin in the 2010 financial year. There were 469 in 2009 and 192 in 2008. Safety and emergency training, on-board service, first aid, communication and announcement training, training flights and various practical exercises are offered as part of the specialist training courses. The training program lasts for six weeks.

Obtaining a Multi-Crew Pilot Licence through the airberlin Flight School

The AIRBERLIN FLIGHT SCHOOL has trained commercial pilots since 2007 in cooperation with TFC (Technic Flight Consulting). Those who have chosen a career in the cockpit with airberlin receive two years of training in theory and practice that meets the highest international standards. In February 2009, the airberlin Flight School was the first aviation school in Germany to be approved by the Federal Office of Civil Aviation to train students for the MULTI-CREW PILOT LICENCE (MPL). The forward-looking MPL flight licence is optimised to the demands of modern airlines and makes training with airberlin even more attractive. After the first four trainee pilots started at the Air Berlin Group as co-pilots with the new pilot's licence in 2009, an additional 48 followed suit in the 2010 reporting year. At the end of the reporting year, a total of 95 students were undergoing pilot training. airberlin is offering pilot training again in 2011.

EMPLOYEE COMMUNICATION AND PARTICIPATION

Flat hierarchy, short distances, an open-minded atmosphere, better communication among employees

airberlin pursues an OPEN-DOOR POLICY that transcends the entire company hierarchy. The deliberately flat organisational hierarchy serves to shorten distances and reinforce the culture of cooperation and communication. airberlin employees are always informed promptly, regularly and in detail of all Company matters that affect them.

Particular attention is given to economic developments and the financial situation at airberlin. This takes place by methods of communication such as the Company's own Intranet (Corporate Web), or REGULAR LETTERS TO THE EMPLOYEES from the Board of Directors. New employees receive a starter kit with a comprehensive information pack about airberlin and their new job.

SOCIAL COMMITMENT

The company slogan "airberlin. Your airline" entails responsibilities and obligations

As a COMPANY WITH AN ACUTE SENSE FOR SOCIAL RESPONSIBILITY, airberlin believes it has an obligation to actively promote and facilitate positive social development. airberlin is strongly committed to protecting the welfare, safety and health of its employees, customers and everyone who comes into direct or indirect contact with the Group in any way. Furthermore, the Company has a vested interest in ensuring that its employees are content with their work environment, because only then are employees motivated and contribute to the economic success of the Company.

Social responsibility starts with the Company

Respecting the personal dignity, privacy and personal rights of employees is an integral part of airberlin's CORPORATE CULTURE. airberlin is an equal opportunity employer and makes every effort to prevent and prohibit any discrimination based on ethnic origin, gender, religion or ideology, disability, age, or sexual orientation.

Equal opportunity principle

In line with the GENERAL PRINCIPLE OF EQUAL TREATMENT in the European Union, all collective regulations and core HR processes are reviewed on an ongoing basis for possible discrimination and senior management is informed of the relevant legal requirements.

Multinational: airberlin employs people from 67 countries

Mutual respect and diversity in practice are a matter of course at airberlin. As an internationally operating company, the Air Berlin Group not only provides mobility across borders but also UNITES PEOPLE AND CULTURES across the whole world. This diversity is also practised internally. In 2010, airberlin employed people of 67 different nationalities.

WORK-LIFE BALANCE AND THE COMPATIBILITY OF WORK AND FAMILY

airberlin places great value on ensuring a family-friendly personnel policy. Supporting employees in maintaining a balance between their professional and personal lives is a vital component of airberlin's HR STRATEGY.

airberlin offers its employees pension plan models

airberlin supports its employees in obtaining personal financial security in old age with various pension plan models which reflect the demands of DEMOGRAPHIC DEVELOPMENT and the changing legal conditions.

WITH HEARTS AND MINDS – SOCIAL COMMITMENT AT AIRBERLIN

A special focus on children at airberlin

There is a long tradition of promoting social projects at airberlin. airberlin places a special focus on children all around the world. Although sick and poor children are in most dire need of help, they are all too often neglected. airberlin works to counteract this with numerous activities that begin at the Company level. As a key component of internal personnel development in addition to the compatibility of family and career, airberlin shows its commitment to helping children by offering child-friendly fares.

Helping sick children for 15 years

The CHRISTIANE HERZOG FOUNDATION has been involved in helping children for 15 years. The Foundation provides support for young people with cystic fibrosis, the most common hereditary metabolic disorder. Each year, airberlin flies children with cystic fibrosis to the island of Gran Canaria for climate therapy, initiates fund-raising campaigns and helps to finance Foundation events. airberlin employees support the Foundation with ex-stock sales and similar activities.

EUR 100,000 donated to ALS research every year

airberlin launched the AIRBERLIN ENDOWMENT FUND FOR ALS THERAPY RESEARCH AT THE CHARITÉ HOSPITAL in 2008. ALS (amyotrophic lateral sclerosis) is a degenerative disease of the motor nervous system. The Charité ALS clinic receives EUR 100,000 from the fund every year. Intensive therapy research helps to determine the causes of the disease in the long term and furthers the development of effective medicines. By conducting clinical studies with ALS patients, it is hoped that medications can be found that are able to help slow the progress or alleviate the symptoms of ALS. The participation of a large number of patients as well as extensive medical examinations is required in order to test the medications. Due to the high quality and safety requirements involved in therapeutic studies, the testing of NEW ALS MEDICATIONS is time-consuming and expensive. The supported pilot projects serve to demonstrate the feasibility and benefits of telemedical solutions with the aim that these will become a standard treatment in the future. The ALS Foundation is also supported by "Achse" (a German alliance for rare chronic diseases) and its patron Eva Luise Köhler, wife of the former German federal president.

Strong support for "A Heart for Children" from our customers

airberlin is involved in A HEART FOR CHILDREN and gives its passengers the opportunity to help. Since the beginning of 2009, airberlin passengers booking their flights on the airberlin.com website can support the A Heart for Children aid organisation. During the booking process, customers are given the option to donate one euro. Customers who decide to make this voluntary contribution have the amount added to their fare. Not a single cent goes towards administration costs. The money from these donations helps to support nurseries, schools, playgrounds, children's clinics and soup kitchens. The commitment of airberlin's customers resulted in a total of EUR 125,000 in 2009. airberlin raised this amount to an even EUR 200,000. Our customers donated EUR 125,000 in 2010. airberlin rounded up this amount as well and transferred EUR 250,000.

In 2010, airberlin organised the benefit campaign "HELP & FLY" for the 13th time at Düsseldorf airport to raise funds for the Düsseldorf-based AIDS organisation, AIDS-Hilfe Düsseldorf e.V. All proceeds from the event were received by this organisation. In the last few years, over EUR 500,000 was raised for projects conducted by the AIDS organisation for people with HIV and AIDS.

The SUPPORT FOR HAITI provided at the beginning of the year was a matter of course for airberlin. airberlin flew more than 130 doctors and assistants as well as over 150 tonnes of relief supplies into the region.

airberlin has supported the HAND IN HAND FOR CHILDREN organisation for a number of years. In 2010, airberlin provided two flight tickets in May and one in October in order to fly aid workers to Windhoek, Namibia. Each donated ticket allowed over 300 children to receive food for one month. Ever since it was founded in 1996, the objective of Hand in Hand for Children e.V. has been to alleviate the suffering of children in Germany with cancer and to promote their health. The organisation has also been active in Namibia since 2003 and is committed to supporting that country's poorest children.

airberlin is highly committed to furthering friendly relations between GERMANY AND ISRAEL. In support thereof, airberlin not only offers nine nonstop weekly flight connections between Germany and Israel, but also cultivates cultural exchange between the two countries. In June of 2010, airberlin organised a very special open-air concert in Jerusalem entitled "Encounters", with performances by Peter Maffay and band, the musicians Noa, Mira Awad and Tsipi Mashid, as well as the three Italian crossover sopranos "Appassionante". The concert was not only a venue for "encounters" among musicians from different countries however, but also for German, Israeli and Palestinian youths to meet and interact with each other. Among these youths were 100 students from the Pestalozzi Realschule in Bochum.

airberlin supports Peter Maffay's multicultural music project for more tolerance and understanding and, for some time, and has been working together with the Peter Maffay Foundation. Active stays in the countryside are sponsored for children and adolescents who have experienced traumatic events.

In July 2010, airberlin was honoured with an exceptional award, the "FRANZ VON MENDELSSOHN MEDAL". This award for social commitment was presented by the Berlin Chamber of Industry and Commerce and the Berlin Chamber of Trade for the sixth time. airberlin received this special award for its activities and overall concept in the area of Corporate Social Responsibility (CSR).

RISK REPORT

Protecting the flanks. Responsible risk management identifies risks promptly and helps to manage them successfully. Or contributes to avoiding them completely – such as with flight safety.

RISK MANAGEMENT SYSTEM

The most important maxim: early identification and control of risks

As an INTERNATIONAL AVIATION COMPANY, airberlin operates in an environment characterised by diverse opportunities and risks. The early identification and control of these risks and the utilisation of opportunities represent a central component of corporate governance. At airberlin, they are supported by a COMPREHENSIVE RISK MANAGEMENT SYSTEM. As an integral part of the operating and reporting system, opportunities and risks are systematically recorded and assessed here.

Regular reviews in collaboration with risk managers support early identification of areas of opportunities and risks and effective management. A key component of the MONTHLY EXECUTIVE MEETINGS include discussions with respect to such opportunities and risks. Should the executive directors regard specific measures to be necessary, these can be initiated promptly.

The existing risk management system is an integral part of the overall operating and reporting process. The registered risks are regularly updated using a software-supported process. RISK REPORTING covers the review and assessment of all risks in each individual area and in each subsidiary. If required, the registration of new risks includes the reassessment of their probability of occurrence and potential extent of damage for existing risks and the identification of risks which no longer exist. A quantitative – i.e. monetary – assessment of risks is performed. A qualitative assessment is only carried out in exceptional cases.

A Company-wide compliance program

Of major importance for operations is the implementation of REGULATIONS ISSUED BY NATIONAL AND INTERNATIONAL AUTHORITIES AND INSTITUTIONS, particularly with reference to safety. A group-wide compliance program ensures the registering of amendments and the compliance with and adaptation of all processes to the current regulations.

INDUSTRY RISKS

Risks to the global economy and the risk of movements in the price of crude oil remain high

The global recession caused by the financial market crisis seems to have been overcome. For international aviation, this was reflected during the course of 2010 in a noticeable increase in air traffic in the course of 2010 in the international aviation industry. The RISKS TO THE GLOBAL ECONOMY must nevertheless still be regarded as high, especially with respect to MOVEMENTS IN THE PRICE OF CRUDE OIL. In view of the imponderables resulting from escalating government debt and the unbalanced economic recovery in the key industrial and newly industrialised countries, this applies particularly to the development of the financial position and performance in the aviation industry.

The balanced customer structure limits market risks

The aviation industry is characterised by a HIGH LEVEL OF COMPETITIVE INTENSITY. In this respect, airberlin is not only in competition with other airlines, but – particularly on short-haul routes – with other ground transportation options as well. airberlin faces this competition with its SUCCESSFUL HYBRID BUSINESS MODEL, which offers high-quality services to its individual and charter passengers and private and business customers. This positioning permits a high level of flexibility in order to compensate for the seasonal fluctuations in demand, which are typical for the industry. An attractive range of additional services and the topbonus customer loyalty program top off the services on offer.

The restrictions caused by NON-UNIFORM AIR TRAFFIC CONTROL ACROSS EUROPE can be viewed as a problem for the aviation industry. These bottlenecks continue to result in detours, delays, increased jet fuel emissions and substantial waiting times. This not only negatively impacts the results of all airlines operating in Europe, but also causes environmental pollution. This could jeopardise the overall growth in European air traffic. Our goal is therefore to create uniform air traffic control across all of Europe.

airberlin is particularly affected by the aviation tax

Another serious problem is posed by the aviation tax levied for departures from German airports introduced on 1 January 2011. Since airberlin predominantly transports German passengers, the Company is affected more severely by the aviation tax than other competitors, as this tax is not levied for cargo and transfer business.

The introduction of emissions trading, which will start on 1 January 2012 at the EU level, will have an impact on the market and competitive situation in the aviation industry. airberlin is making extensive preparations for this new development within a framework of appropriate projects.

FINANCIAL RISKS

Only internationally standard hedging transactions

As an internationally operating aviation company, airberlin is exposed to FLUCTUATIONS IN FUEL PRICES, INTEREST RATES AND EXCHANGE RATES, and especially the market trend of the US dollar. In particular, possible rises in the price of fuel can lead to increased expense positions. As a result such fluctuations are managed by comprehensive hedging. Possible risks are reduced in advance on the basis of rolling hedging for the relevant defined periods of time. Financial futures contracts which are standard on international markets are concluded with renowned financial institutions.

A Group-wide treasury management system is used within the existing risk management system for systematic management of interest rate and currency risks. As well as the representation of all underlying transactions and the hedging transactions concluded on a suitably revolving basis, there is a COMPREHENSIVE CALCULATION OF THE MARKET-DRIVEN MEASUREMENT and effectiveness of the hedging arrangements entered into, including the reporting system in accordance with IAS 39.

Internal guidelines are used for the management of financial risks. The core element here is sound liquidity management, which is ensured by comprehensive financial and liquidity planning.

OPERATING RISKS

As part of the risk management system, airberlin, like every other airline, covers existing operating and technical risks of flight operations. These are systematically identified, assessed and managed using appropriate measures.

PURCHASING RISKS

Access to its own tank storage capacity will secure airberlin's fuel supply

The factors significant to MAINTAINING COMPETITIVENESS and safeguarding the reliability of flight operations are a reliable supply of fuel, materials, auxiliary and operating media and access to attractive destination airports, in addition to a modern, high-performance and fuel-efficient fleet of aircraft. In order to secure the fuel supply on a sustainable basis in the future, airberlin acquired a stake in a joint venture holding company in connection with the CONSTRUCTION OF A FUEL STORAGE FACILITY. airberlin plans to acquire a stake in an additional joint venture holding company.

The latest aircraft minimise the risks of flight

A modern fleet radically reduces costs for maintenance and repairs. airberlin therefore maintains LONG-TERM RELATIONSHIPS with major aircraft manufacturers Airbus, Boeing and Bombardier and thus ensures access to the most modern aircraft. In addition to existing purchase agreements with manufacturers, airberlin also has options to acquire additional aircraft at prices which have already been fixed. airberlin uses a fleet of leased aircraft with short-term and medium-term lease periods in addition to its own aircraft. The reduced amount of committed capital comes at the expense of long term cost planning.

airberlin also maintains long-term relationships with suppliers of other necessary raw materials, supplies and spares in order to ensure security of supply at any given time. The most important raw material for airberlin is undoubtedly fuel. In addition to the commercial criteria used in connection with the acquisition of jet fuel, airberlin verifies the ability of all fuel suppliers at a given airport to provide airberlin with a stable supply of fuel. Moreover, airberlin monitors COMPLIANCE WITH QUALITY STANDARDS pertaining to jet fuel storage and into-aircraft fuelling as per the IATA Fuel Quality Pool guidelines. Securing the provision of on-board catering also plays a major role in offering customers high-quality service. This is one area in particular in which airberlin works with fixed purchase agreements.

IT RISKS

The central business processes at airberlin are inconceivable without appropriate IT support. Identifying and controlling IT risks forms a particular focus of the risk management system at airberlin. Both external and internal risks are taken into consideration. The basis for dealing with IT risks is laid out in GROUP-WIDE INTERNAL SECURITY GUIDELINES.

REPORT ON FORECASTS AND THE OUTLOOK OF THE GROUP

DEVELOPMENT OF THE OVERALL ECONOMY AND THE AVIATION INDUSTRY

GLOBAL ECONOMIC RECOVERY CONTINUES IN 2011

Emerging economies exhibit strong growth in 2011, industrialised nations only modest growth

In its updated outlook for the global economy released on 25 January 2011, the International Monetary Fund (IMF) predicted a TWO-SPEED GLOBAL ECONOMIC RECOVERY and warned of numerous risks. The developing and emerging economies are driving in the fast lane with China heading the pack. The high anticipated growth rates (6.5 per cent on average) for these countries in 2011 and 2012 threaten however to escalate into an overheating of the markets which brings great inflation risks. Consumer prices in these countries are expected to rise by 6 per cent in 2010.

In comparison, anticipated growth rates for the INDUSTRIALISED NATIONS are quite modest. On the whole, they are expected to grow by a total of 2.5 per cent in 2011 and in 2012. With the aid of government-sponsored support measures, economic growth in the USA is expected to grow at an above-average rate of 3.0 per cent in 2011 and 2.7 per cent in 2012. Conversely, growth in the European Union is anticipated to be only 1.7 per cent and 2.0 per cent respectively. The UK and Japan are expected to record below-average growth rates.

The IMF also warns of MULTIPLE SETBACK RISKS, which include the government debt in the European peripheral countries and the still-floundering real-estate market in the USA. These risks are viewed as being manageable. In particular, the overall rise in consumer confidence and the merely minor increase in prices (1.5 per cent in 2010) in most developed countries are expected to have an equally facilitative effect on economic growth as does the improved willingness of companies to invest.

Comparatively high growth in Germany for 2011 as well

In making growth predictions for the German economy of 2.2 per cent in 2011 and 2.0 per cent in 2012, the IMF considers GERMANY to be THE FASTEST GROWING ECONOMY IN EUROPE among the larger countries. This also makes Germany a worldwide leader among industrialised countries. The German government is somewhat more optimistic with its expectation of a 2.3 per cent increase in GDP for 2011. According to the German government, the upturn is supported by two stable pillars, which are exports and domestic demand. This is increasingly developing into a driving force and is expected to account for over three-quarters of overall economic activity in 2011. The economic recovery in 2011 will in particular be driven by continually rising employment figures.

Rising oil prices continue in 2011

According to the IMF, expectations that THE PRICE OF RAW MATERIALS WILL CONTINUE TO INCREASE in 2011, albeit at a lower rate, have created a certain degree of concern. After the sharp increases in price that occurred in the previous year (a 28 per cent increase in the price of oil and a 23 per cent increase in the prices of other raw materials according to IMF data), THE PRICE OF OIL IS EXPECTED TO RISE BY A GOOD 13 PER CENT IN 2011 and prices for other raw materials by 11 per cent.

THE AIR TRAVEL INDUSTRY IN 2011

IATA anticipates below-average performance in Europe for 2011 as well

In December of 2010, IATA adjusted part of its outlook for the air travel industry upwards as previous expectations were exceeded in the second half of 2010. In particular, in its revised December estimate IATA anticipated higher profits for airlines in 2010 than previously expected (USD 15.1 billion instead of USD 8.9 billion). In fact, the income of its member companies in 2010 rose to USD 16.0 billion. In the current year, however, profits are expected to decline again significantly to USD 8.6 billion due to the sharp increase in oil prices. According to IATA, profits of European airlines are expected to decrease by as much as two thirds in 2011: USD 0.5 billion after USD 1.4 billion. IATA forecasts that the airlines will not be able to earn their capital costs in 2011. The TWO-SPEED ECONOMIC RECOVERY observed in the global aviation industry in 2010 is expected to continue its course in 2011. According to IATA, economic recovery in Europe will continue to lag behind that of the other regions in 2011.

Despite higher passenger volumes and improved yields, the margin problems will likely persist for three reasons, being higher fuel costs, overall lower economic growth and higher flight-related taxes. IATA is expecting a rise of a good 6 per cent in the average price of crude oil to USD 84 per barrel in 2011 from USD 79 in 2010. This will result in an increase in fuel costs from 26 per cent to 27 per cent as a proportion of operating expenses. Global economic growth is expected to decline to 2.6 per cent in the current year from 3.5 per cent in 2010. Especially in Europe, government austerity programs are likely to lead to a reduction in demand. Heavy tax increases in Germany, Austria and the UK will make air travel 3 to 5 per cent more expensive. While the European airport association, ACI Europe, also expressed modest expectations, the German airport association ADV was somewhat more optimistic, predicting growth of up to 5 per cent in passenger traffic for 2011 in its most recent annual forecast.

REPORT ON EXPECTED DEVELOPMENTS

DIRECTION OF THE AIRBERLIN GROUP FOR THE NEXT TWO FINANCIAL YEARS

No major changes in the operating policy and, thus, market position of the airberlin group are planned for the financial years 2011 and 2012. In light thereof, the issues outlined in the "Company Profile", "Corporate Strategy" and "Company Management" sections on pages 32 to 38 will largely apply to this period as well.

Key objectives in the current and coming financial years include preparations for membership of the international air travel alliance, **one**world®, which is set for the spring of 2012, as well as continuation of efforts to improve all operating processes within the group.

Membership of **one**world® will connect airberlin to a global network. The close cooperation with numerous leading international airlines will provide the airberlin group with strategic prospects well into the future. This affects the entire airberlin route network: For short and mediumhaul routes, the airberlin group can generate additional business volume by providing feeder flights for partner airlines, while becoming a new network partner for longhaul flights.

The key sales markets for the airberlin group over the next two financial years are expected to remain Germany as well as the catchment areas of its major foreign hubs, particularly Palma de Mallorca and Vienna. Business in Eastern Europe and the Middle East will be strategically expanded. With the increase in the shareholding in our Austrian partner airline, NIKI Luftfahrt GmbH, key conditions for implementing for implementation of this strategy were fulfilled in 2010.

Following the successful implementation of the "Jump" programme in 2010, aimed at improving the group's operating performance, the Board decided in 2010 to launch "Accelerate 2012", another performance programme for the years up to and including 2012.

OPPORTUNITIES AND RISKS IN THE FORECAST

Commodity prices continue to be a cause of great uncertainty

The risks and opportunities described in the Risk Report generally also apply to the 2011 financial year. Beyond this, however, the risk situation has changed in individual areas. The further DEVELOPMENT OF COMMODITY PRICES in spring 2011 presents the greatest risk to the forecast. Since late 2010, the prices for the two main crude oil benchmark qualities, traditionally very close to one another, have diverged considerably. While the WTI price declined by almost 10% in the first weeks of the new year, the BRENT price has continued to INCREASE SHARPLY since August 2010. Uncertainty on the commodities markets resulting from the political changes in various Arab countries considerably accelerated the increase in oil prices in spring 2011. As at the editorial deadline for this Annual Report, there were no signs of this crisis on the market ending.

The interest trend is in favour of the euro

A certain opportunity will arise if the EURO CONTINUES TO APPRECIATE against the US dollar as it has since early 2011. Both foreign exchange and hedging transactions for fuel would then tend to be more cost-effective for airberlin. Following relevant announcements by the European Central Bank in March, market participants in the foreign exchange markets are expecting Europe to gain an interest advantage over the USA. In fact, since September 2010 the TREND REVERSAL IN RETURNS ON 10-YEAR BONDS has continued unabated in 2011 (see Chart on page 41). This supports the euro even if the ongoing debt problems in some European countries continue to be a burden.

PRICE COMPETITION IN EUROPEAN AIR SPACE is a significant risk for business development. The introduction of an AIR TRAVEL TAX IN GERMANY has increased this risk. Airlines in general may be tempted not to fully include this tax in prices, in order to gain and/or defend market shares. For this reason, airberlin will observe the market very carefully in order to respond flexibly to the general market trend and/or the development of prices for individual destinations.

2011 FINANCIAL YEAR

The 2011 financial year has brought new challenges for international air travel. European airlines, in particular, again faced extreme winter weather well into the new year. Numerous flights were cancelled as a result of political upheaval in North Africa, above all in Tunisia and Egypt, which are popular destinations for German tourists. At airberlin alone, several hundred flights comprising a six-figure passenger number were cancelled. The passenger development in the first two months of the current year was unable to match that of the prior year. Nevertheless, airberlin had 4.28 million passengers, i.e. an increase of 3.3 per cent. With a slight capacity reduction of 0.3 per cent, utilisation increased by 2.5 percentage points to 71.9 per cent.

The sharp increase in crude oil prices and, therefore, the prices for aviation fuel, since the beginning of the year is closely connected to the political developments in the Maghreb countries and Egypt (see chart on page 40). Prices are likely to continue increasing as long as uncertainty continues to prevail in this region. These additional expenses will be passed on through fuel surcharges in the ticket prices.

As a result of the competitive environment, the aviation tax in Germany will lead to further price pressure as some airlines, in order to maintain capacity utilisation, will not pass on the tax in full. Furthermore, the effects on demand behaviour is difficult to predict. As previously announced, airberlin will counter this development by adjusting capacities and optimising its route network. The capacity adjustment in Germany runs in parallel with the full integration of the subsidiary, LTU which will be merged into Air Berlin PLC & Co. Luftverkehrs KG. airberlin also expects this to result in additional cost synergies.

airberlin is also set to expand its network in intercontinental air travel during 2011, not least in order to prepare for membership in the international air travel alliance **one**world® in 2012. Measures include plans for new connections to San Francisco and Vancouver.

As a result, we expect an increase of four to five per cent in the number of our passengers and a simultaneous increase in the seat load factor. Therefore we anticipate today that revenue can be increased and that, if the above-mentioned risks are overcome, a positive result (EBIT) can be generated. However, due to the above-mentioned influencing factors, a meaningful quantification is not currently possible.

OVERALL STATEMENT ON THE ECONOMIC DEVELOPMENT OF THE AIRBERLIN GROUP

In the opinion of the Board of Directors, the airberlin group continues to be in a good position to overcome the present challenges. Operating profitability increased following implementation of the "Jump" programme for improving performance within the group. The new "Accelerate 2012" programme is aimed at continuing this trend over the next two years. On the basis of this sustained improvement in efficiency, and in conjunction with the growth prospects arising from the increase of the stake in NIKI, as well as the planned membership in the internationally leading air travel alliance **one**world®, the Board sees the airberlin group as well-equipped to face international competition.

AUDITORS

The Directors have considered the appointment of auditors for the following financial year. At the General Meeting, the Board will propose the reappointment of KPMG Audit Plc as auditors of the Group.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who are members of the Board at the time of approving the Directors' Report are listed on pages 10 to 14. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- Each director has taken all the steps a director could be reasonably expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board and signed on its behalf by

18 March 2011

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

CORPORATE GOVERNANCE REPORT

The Company is committed to good corporate governance, business integrity and ethical values. The Company conducts its affairs in the manner set forth herein.

As at 31 December 2010, the Board comprised seven Non-Executive Directors (including the Chairman) and three Executive Directors. The Chairman is responsible for leading the Board, ensuring the effectiveness of the Board in all of its tasks, including communication with shareholders, setting the Board's agenda and encouraging all Board members to participate fully in its activities and decision making.

The Non-Executive Directors provide a wealth of experience and skills and are key to the formulation and development of the Company's strategy. The Board is satisfied that the Chairman and each of the Non-Executive Directors committed sufficient time during 2010 to fulfilling their duties as members of the Board. The main external commitments of Johannes Zurnieden who served as Chairman of the Board until 31 December 2010 did not change during the year. As of 1 January 2011, Dr Hans-Joachim Körber was appointed Chairman of the Board.

The Company has established the Audit, Nominations and Remuneration Committees, each of them meeting regularly under their own terms of reference.

AUDIT COMMITTEE

As at 31 December 2010, the Audit Committee comprised Dr Hans-Joachim Körber (as Chairman of the Committee), Hartmut Mehdorn and Peter Oberegger, all of whom were independent Non-Executive Directors. A representative of the Company's external auditors and the Chief Financial Officer attend the meetings of the Committee. Mr Körber resigned from the Audit Committee effective 1 January 2011. As of such date, Nicholas Teller became a member of the Committee which is now chaired by Hartmut Mehdorn.

The Audit Committee met 6 times during 2010. The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to internal and external audits and controls. The Committee's tasks include reviewing the Company's annual financial statements and other financial information before their publication, determining the scope of the annual audit, and advising on the appointment of external auditors. Additionally, the Committee is responsible for monitoring the effectiveness of the Company's internal control systems, including the work of internal audit. The Committee reviews the scope of the non-audit work undertaken by the auditors and the fees related to such work to ensure that the auditors' impartiality is not or may not become impaired. The auditors also are asked to articulate the steps they have taken to ensure independence and objectively. The Committee also makes recommendations to the Board regarding the reappointment or the removal of external auditors, their terms of engagement and the level of their remuneration.

NOMINATIONS COMMITTEE

As at 31 December 20010, the Nominations Committee comprised Johannes Zurnieden (as Chairman of the Committee), Joachim Hunold, Dr Hans-Joachim Körber, Hartmut Mehdorn, Heinz-Peter Schlüter, Ali Sabanci and Nicholas Teller, the majority of whom were Non-Executive Directors. From 1 January 2011, the Nomination Committee comprises Dr Hans-Joachim Körber (as Chairman of the Committee), Joachim Hunold, Ali Sabanci and Heinz-Peter Schlüter. The Committee is primarily responsible for assisting the Board in determining its composition, makeup and balance. It also is responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. Further, the Committee determines the succession plans for the Chairman of the Board and the Chief Executive Officer. The Committee meets as required, but no less than once per year. Non-Executive Director appointments in 2010 were the result of a search process carried out by the Board. On the basis of his service to the Company and his broad experience, the Board appointed Dr Hans-Joachim Körber to serve as Chairman upon the resignation of Johannes Zurnieden.

REMUNERATION COMMITTEE

As at 31 December 2010, the Remuneration Committee comprised Dr Hans-Joachim Körber (as Chairman of the Committee), Nicolas Teller and Johannes Zurnieden, all of whom are Non-Executive Directors. From 1 January 2011, the Remuneration Committee comprises Heinz-Peter Schlüter (as Chairman of the Committee), Dr Hans-Joachim Körber, Nicholas Teller and Johannes Zurnieden. The Remuneration Committee has responsibility for making recommendations to the Board on the Executive Directors' and the senior management's compensation, including any bonuses, pension rights (where appropriate) and share-based compensation payments. The Committee meets as required, but no less than once per year. The remuneration report on pages 90 to 99 provides further details of the remuneration policies of the Company.

Directors are expected, wherever possible, to attend all Board meetings, relevant committee meetings and the Annual General Meeting (the "AGM"). All Board members are provided in advance with appropriate information covering matters which are to be considered. A table detailing the individual Directors' attendance at each of the Board and Committee meetings held in 2010 is set out below:

	Board	Audit Commitee	Nominations Commitee	Remuneration Commitee
Meetings held	10	6	4	1
Meetings attended				
Jean Christoph Debus Chief Commercial Officer	8	n/a	n/a	n/a
Joachim Hunold Chief Executive Officer	10	n/a	4	n/a
Ulf Hüttmeyer Chief Financial Officer	10	6	n/a	n/a
Dr Hans-Joachim Körber** Non-Executive Director	10	6	3	1
Hartmut Mehdorn Non-Executive Director	10	6	2	n/a
Peter Oberegger* Non-Executive Director	9	5	n/a	n/a
Dieter Pfundt Non-Executive Director	0	n/a	n/a	n/a
Ali Sabanci Non-Executive Director	10	n/a	4	n/a
Heinz-Peter Schlüter Non-Executive Director	9	n/a	3	n/a
Nicholas Teller Non-Executive Director	8	1	1	1
Johannes Zurnieden** Chairman	10	0	2	1

* served only for part of the year
** with effect from 1 January 2011, Dr Hans-Joachim Körber is Chairman of the Board

The Board has delegated to the Executive Directors responsibility for the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities already established by the Board; the implementation of the strategies and policies of the Company as determined by the Board; the monitoring of operational and financial results against plan; the monitoring of the quality of the investment process against specified objectives; the prioritisation of the allocation of capital, technical and human resources and the development and implementation of a risk management system.

All Directors may benefit from the advice and assistance of the Company Secretary, who is responsible to the Chairman for ensuring that Board procedures are complied with and that applicable rules and regulations are followed. The Company Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters and new developments in legislation and new regulations. The Company Secretary ensures that new Board members receive an appropriate introduction into all relevant business aspects of the Company. The Company Secretary is Michelle Johnson, who was appointed to that position on 21 February 2007. Furthermore, the Directors have access to appropriate independent professional advice if necessary to perform their duties, at the expense of the Company. The Company maintains directors' and officers' liability insurance at an appropriate level.

SHAREHOLDER RELATIONS

The AGM provides all shareholders with the opportunity to communicate directly with the Board, including the chairmen of the Audit, Nominations and Remuneration Committees. At the AGM the number of proxy votes cast on each resolution is made available, both at the meeting and, subsequently, on the Company's website. Each substantially separate issue is presented as a separate resolution.

Dr Hans-Joachim Körber served as the Senior Independent Non-Executive Director and was available to shareholders if contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer was inappropriate or has been unsuccessful. As of 2011, Hartmut Mehdorn has been appointed as the Senior Independent Non-Executive Director.

The Company also maintains regular contact with its major institutional shareholders through its investor relations department and through meetings with the Chief Executive Officer, the Chief

Financial Officer and the Chairman, as well as through its special institutional investor events. Moreover, the Company ensures that all Directors have an understanding of the views and concerns of major shareholders. A separate investor relations department facilitates engagement.

INTERNAL CONTROLS AND BOARD PERFORMANCE

The Directors are responsible for establishing and reviewing the effectiveness of the Company's internal control systems. Internal control procedures are only designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against misuse or unauthorised disposition and the risk of material misstatement or loss, or failure to achieve business objectives.

Whereas the overall responsibility for establishing such control procedures and the day to day management is delegated to the Chief Executive Officer, certain powers have been delegated to the responsible department heads. The authority granted is subject to defined limitations and reporting requirements.

The Company has developed an ongoing process for the effective identification and management of risks, whereby potential risks are identified, monitored and reported by key areas of the Company. Detailed reports are provided to management, which considers individual departments' and the Company's performance regularly, and on an ad hoc basis. Significant risks are addressed by the Board as a whole.

Policies and procedures are subject to ongoing review and updated as required to ensure that they are properly and consistently applied with respect to significant risks, investment decisions and management issues.

The internal control system is enhanced by the internal audit department which is charged with the review of such systems in particular those areas of greatest risk to the Company as determined by management. Internal audit review is undertaken in accordance with an approved annual audit plan which is amended periodically during the year as required.

The Chairman regularly meets with the members of the Board to discuss their performance, the performance of the Board as a whole and of the board committees of which the directors are members and any other matters that the Directors may wish to discuss.

COMPLIANCE WITH THE UNITED KINGDOM CORPORATE GOVERNANCE CODE

As the Company is not listed in the United Kingdom, it is not required to comply with the obligation under the UK Listing Rules to disclose in its annual audited financial statements the extent of its compliance with corporate governance standards set forth in the UK Corporate Governance Code, nor is it required to comply with German corporate governance standards. The Company complies voluntarily with the provisions of the UK Corporate Governance Code, a copy of which can be obtained from the website of the UK Financial Reporting Council (www.frc.org.uk). However, the Company has not complied with certain provisions of the UK Corporate Governance that are not required by German corporate governance standards and are not customary in the German market. Specifically, the Executive Directors' service contracts have terms in excess of one year and, aside for cause or agreement, can be terminated only upon twenty four months notice given. The Directors are subject to reelection at periods which are customary in the German market. The Company continues to believe that more stringent requirements would place the Company at a disadvantage in the recruitment and retention of senior executives.

GOING CONCERN

After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future as disclosed in note [1] to the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts.

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

MEMBERSHIP AND RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises three Non-Executive Directors and determines on behalf of the Board the overall remuneration packages for the Executive Directors, the Company's Chairman and the Company Secretary in accordance with the remuneration policy, including any bonuses, pension rights (where appropriate) and share-based compensation payments as described below.

The Committee remains responsible for:

- determining and reviewing the ongoing appropriateness and relevance of the Company's remuneration policy;
- setting and monitoring performance criteria for any bonus arrangements provided by the Company;
- approving the length and term of the service contracts for the Chairman, the Executive Directors, the Company Secretary and the senior executives; and
- ensuring that the Board maintains contact with its principal shareholders with respect to its remuneration policy.

The Remuneration Committee has obtained independent advice with respect to the establishment of appropriate executive compensation.

REMUNERATION POLICY

Executive Directors

The Company's remuneration policy provides compensation packages at market rates which reward and encourage successful performance. Accordingly, the Company's policy is to provide a compensation package which reflects each Executive Director's level of responsibility and contribution to the Company, and the competitive environment. The compensation package for the Executive Directors in 20010 comprises a combination of a basic salary, a variable bonus scheme, benefits in kind and participation in the Employee Share Plan.

The base salaries of the Executive Directors for 2010 are:

Director	Fixed remuneration per annum (EUR)
Joachim Hunold	1,000,000
Ulf Hüttmeyer	500,000
Jean Christoph Debus	500,000

Subject to the meeting of predefined benchmarks, the Executive Directors may receive an annual bonus as determined by the Remuneration Committee. The Remuneration Committee determines, on an annual basis, the payment of any bonus compensation and, in deciding to award any such bonus, takes into consideration a weighted combination of EBIT, net profit, dynamic indebtedness and punctuality. If these benchmarks have been reached, the annual bonus will amount to 100% of the fixed annual remuneration for the CEO and 140% for the other Executive Directors. An additional bonus may be granted if the benchmarks are exceeded. Further, the bonus may be increased at the discretion of the Remuneration Committee, if the basis for the bonus calculation was effected by extraordinary measures. However, such a decision to increase the bonus is only possible in two consecutive years. Variable compensation paid will be divided equally into cash and shares, the latter of which are subject to a holding period of three years.

Service Contracts

Each of the Executive Directors have entered into a service contract unlimited in term, but which is terminable with a notice period of twenty four months.

The service agreements of the Executive Directors also may be terminated by the Company for cause or upon mutual agreement between the parties. The service contracts for each Executive Director contain an obligation not to compete with the Company's business for one year following termination or expiry of their respective service agreements. In consideration for this undertaking, each Executive Director is entitled to receive 50% of his fixed remuneration for that year.

Additional benefits

The service agreements provide a right of the Executive Directors to participate in the Restricted Stock Unit Scheme of the Company. In 2006, Mr. Hunold and Mr. Hüttmeyer received the legal title to shares in connection with the Company's Employee Share Plan. No further awards were made in 2007, 2008, 2009 or 2010.

In 2007, the Company entered into a defined benefit pension plan for its Executive Directors. Upon reaching age 65 or in case of permanent inability to work, Executive Directors are entitled to pension benefits amounting to at least 4% (in the case of Mr. Hüttmeyer and Mr. Debus) and 6.25% (in the case of Mr. Hunold) of their respective base 2009 compensation for each year of service. An Executive Director's entitlement cannot exceed 50% of such amount. The accumulated pension rights as of 31 December 2010 are set forth on page 95.

Each Executive Director is provided with a Company telephone, car and telecommunications equipment. In addition, each Executive Director is entitled to reduced or free air transportation on flights operated by the Company. Each Executive Director has the benefit of directors' and officers' insurance and accident insurance, at appropriate levels.

Remuneration policy for 2011

It is anticipated that the policy described above will continue to be applied in determining each Executive Director's base salary. It is expected that the Remuneration Commitee, using its discretion, will determine the level of any annual bonus award made to the Executive Directors taking into consideration airberlin's financial and operational performance assessed on the basis of factors such as airberlin's consolidated EBIT, net profit and dynamic indebtedness (a measure of net debt against EBITDAR) and the airline's punctuality.

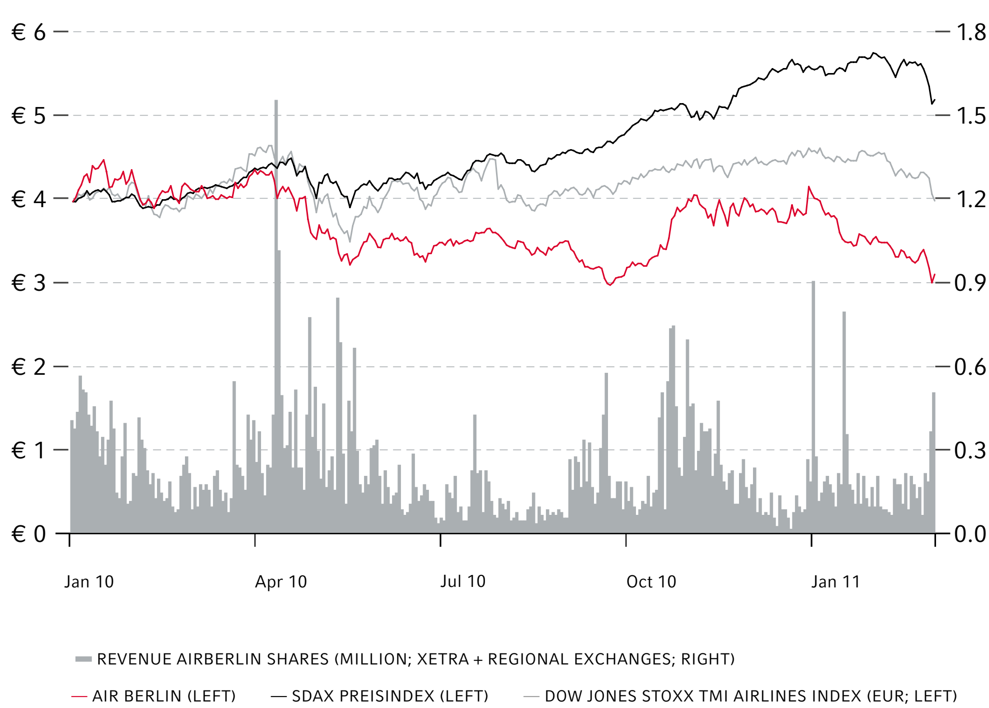
NON-EXECUTIVE DIRECTORS

The Chairman and the Executive Directors determine the Non-Executive Director remuneration. No Director is involved in determining his own level of compensation. In accordance with the Articles of Association, the compensation afforded the Non-Executive Directors cannot, in aggregate, exceed EUR 750,000.

PERFORMANCE GRAPH

The following graph shows the Company's share development against the SDAX and DJ STOXX Airlines Index. The SDAX was selected for comparative purposes because it is a broad equity index of which the Company is a constituent. The DJ STOXX Airlines index was chosen inasmuch as it comprises companies operating in a comparable sector as the Company.

Relative performance airberlin vs. SDAX Price Index and Dow Jones STOXX TMI Airlines Index (EUR)



SOURCE: REUTERS

INFORMATION SUBJECT TO AUDIT

DIRECTORS' REMUNERATION

The directors' remuneration during the period was:

in thousands of euros	Basic salery and fees	Taxable benefits	Performance-related Cash bonuses	Performance-related Value of share awards	**Total 2010**	Total 2009
Executive Directors:						
Joachim Hunold	1,007	21	88.5	88.5	**1,205**	1,621
Ulf Hüttmeyer	506	18	62	62	**648**	733
Jean Christoph Debus	505	14	62	62	**643**	334.5
Karl Lotz	0	0	0	0	**0**	165
Elke Schütt	0	0	0	0	**0**	166
Wolfgang Kurth	0	0	0	0	**0**	178
Non-Executive Directors:						
Dr Hans-Joachim Körber	89	0	0	0	**89**	89
Hartmut Mehdorn	60	0	0	0	**60**	30
Peter Oberegger	50	0	0	0	**50**	0
Ali Sabanci	50	0	0	0	**50**	31
Heinz-Peter Schlüter	60	0	0	0	**60**	60
Nicolas Teller	60	0	0	0	**60**	60
Johannes Zurnieden	179	0	0	0	**179**	179
Dieter Pfundt	10	0	0	0	**10**	60
Aggregate emoluments	**2,576**	**53**	**212.5**	**212.5**	**3,054**	**3,706.5**

In 2007 the Company entered into a defined benefit pension plan for its Executive Directors. The pension entitlements of the directors are:

in thousands of euros	Accumlated annual accrued benefits at 31 December 2010	Accumlated annual accrued benefits at 31 December 2009	Increase in accumulated annual accrued benefits during the year 2010
Joachim Hunold	234	172	62
Ulf Hüttmeyer	68	50	18
Jean Christoph Debus	22	8	14
Karl Lotz	n/a	141	n/a
Elke Schütt	n/a	46	n/a
Wolfgang Kurth	n/a	19	n/a

The transfer value of directors' accrued benefits, which represents a liability to the Company rather than an amount paid or due to the individual, is as follows:

in thousands of euros	Transfer value per 31 Dec 2010	Transfer value per 31 Dec 2009	Directors' contribution during the year	Movements less directors' contributions
Joachim Hunold	4,061	2,964	0	1,097
Ulf Hüttmeyer	262	158	0	104
Jean Christoph Debus	159	76	0	83
Karl Lotz	n/a	2,312	n/a	n/a
Elke Schütt	n/a	542	n/a	n/a
Wolfgang Kurth	n/a	312	n/a	n/a
	4,482	6,364	0	1,284

DIRECTORS' INTERESTS IN SHARES

The beneficial interests of the directors and their families in the share capital of the Company are as follows:

	Air Berlin PLC/ordinary shares	
	31.12.2010	31.12.2009
Executive directors		
Joachim Hunold	**2,250,004**	2,250,004
Ulf Hüttmeyer	**0**	10,000
Jean Christoph Debus	**0**	0
Karl Lotz	**n/a**	10,000
Elke Schütt	**n/a**	10,000
Wolfgang Kurth	**n/a**	0

Included in these figures are 20,000 shares per director related to the Employee Share Plan. As the performance conditions were not met, no share awards were made in 2008, 2009 or 2010. In addition, Joachim Hunold has a beneficial interest in 2,500 A Shares, which are non-voting and have limited rights. The then Chairman of the Board, Johannes Zurnieden, held 1,350,268 ordinary shares in the company as at 31 December 2010. In addition three other non-executive directors, Chairman-elect Dr Hans-Joachim Körber, Hans-Peter Schlüter and Ali Sabanci also held shares with Dr Hans-Joachim Körber holding 153,000 ordinary shares, Hans-Peter Schlüter 1,200,000 ordinary shares and Ali Sabanci, through his directorship at ESAS Holding A.S., holding an interest in 14,045,031 ordinary shares.

The number of shares held by the directors at year-end under the Employee Share Plan was as follows:

	Number of shares as at 1 January 2010	Number of shares forfeited during the period	Number of shares as at 31 December 2010	Exercisable from, subject to performance criteria over the three-year period ending
Employee Share Plan 2006 – Tranche 3				
Joachim Hunold	10,000	(10,000)	0	31 December 2010
Ulf Hüttmeyer	10,000	(10,000)	0	31 December 2010

Under the terms of the Employee Share Plan, the directors hold legal title to the shares but will only be able to acquire the beneficial interest in the shares if certain performance conditions are met. 50% of the shares granted under each of the tranches are subject to a performance condition based on return on equity achieved by the Company and 50% of the shares granted under each of the tranches are subject to performance conditions based on the percentage increase in the Company's share price over a three-year period as follows:

Tranche and three-year performance period (ending 31 December)	Threshold, return-on-equity element	Threshold, share price growth element
Tranche 1: 2008	13 %	35 %
Tranche 2: 2009	14 %	38 %
Tranche 3: 2010	15 %	40 %

The right to acquire the beneficial interest in the shares is exercisable during a two-week period following notification by the Company of fulfillment of the performance criteria. The exercise price is EUR 0.25 per share, the nominal value of the shares. The share price as at 31 December 2010 was EUR 3.71.

The performance conditions were not met in 2008, 2009 or 2010. Therefore, participants will not be able to call for the economic interest in the shares under those tranches and will be required to transfer the legal ownership of those shares to the Air Berlin Employee Share Trust.

None of the Non-Executive Directors are entitled to share options. No options were exercised or lapsed during the period. A detailed description of the Employee Share Plan is also provided in the Notes to the financial statements, see pages 132 to 134.

CHANGES IN THE BOARD OF DIRECTORS

Dieter Pfundt left the Board on 28 February 2010.

On 2 March 2010, Peter Oberegger was appointed as a non-executive director.

On 31 December 2010, Johannes Zurnieden stood down as Chairman of the Board of Directors of Air Berlin PLC. He remains a Non-Executive Director of the Company.

With effect from 1 January 2011, Dr Hans-Joachim Körber was appointed Chairman of the Board of Air Berlin PLC.

SUPPLEMENTARY REPORT

EVENTS AFTER THE BALANCE SHEET DATE

From the end of the 2010 financial year to the editorial deadline for the submission of this Annual Report on 18 March 2011, with the exception of the political upheavals in North Africa, no events occurred that could have significant impact on the business development of the Company. The events in North Africa adversely effected flight bookings to Egypt in particular. Numerous passengers cancelled their bookings after the German Government had issued travel warnings for Egypt. Accordingly, passenger numbers in the first quarter of the current financial year were effected.

In view of airberlin's full membership in **one**world®, which is planned for the beginning of 2012, airberlin's Board resolved to expand its previously three-member Executive Board and combine its resources in preparation for its entry into the global alliance. The Executive Board will consist of the Chief Executive Officer (CEO) Joachim Hunold, the Chief Financial Officer (CFO) Ulf Hüttmeyer, the Chief Operating Officer (COO) Christoph Debus and the Chief Commercial Officer (CCO) who has yet to be appointed. In addition to his regular tasks, Joachim Hunold will assume the networking and sales tasks temporarily until the appointment of the CCO. In addition to his responsibility for operations and human resources, Christoph Debus will focus primarily in his function as COO on the integration of LTU and affiliated companies as well as prepare the IT for the challenges involved in its future cooperation in **one**world®.

Approved by the Board of Directors and signed on behalf of the Board of Directors.

18 March 2011

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

DECLARATION BY THE LEGAL REPRESENTATIVES

We confirm that to the best of our knowledge and according to the applicable accounting standards, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the Group management report includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

Berlin, 18 March 2011

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare group and parent company financial statements for each financial year.
Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.
Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIR BERLIN PLC

We have audited the financial statements of Air Berlin PLC for the year ended 31 December 2010 set out on pages 105 to 173. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 101, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Wayne Cox (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
Great Britain

18 March 2011

AIR BERLIN PLC
FINANCIAL STATEMENTS 2010

Air Berlin PLC

CONSOLIDATED INCOME STATEMENT

for the period ended 31 December 2010

	Note	2010	2009
		€ 000	€ 000
Revenue	20	**3,723,578**	3,240,344
Other operating income	21	**53,775**	36,679
Expenses for materials and services	22	**(2,677,515)**	(2,193,173)
Personnel expenses	23	**(471,771)**	(440,722)
Depreciation and amortisation	6, 7	**(92,761)**	(109,144)
Other operating expenses	24	**(544,647)**	(505,517)
Operating expenses		**(3,786,694)**	(3,248,556)
Result from operating activities		**(9,341)**	28,467
Financial expenses	25	**(115,425)**	(62,588)
Financial income	25	**6,806**	24,554
Losses on foreign exchange and derivatives, net	25	**(24,720)**	(12,938)
Net financing costs		**(133,339)**	(50,972)
Share of profit of associates, net of tax	26	**1,057**	808
Loss before tax		**(141,623)**	(21,697)
Income tax benefit	27	**44,464**	12,229
Loss for the period – all attributable to the shareholders of the Company		**(97,159)**	(9,468)
Basic earnings per share in €	12	**(1.14)**	(0.13)
Diluted earnings per share in €	12	**(1.14)**	(0.13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2010	2009
		€ 000	€ 000
Loss for the period		**(97,159)**	(9,468)
Foreign currency translation reserve		**1,070**	(169)
Effective portion of changes in fair value of hedging instruments	30g	**79,645**	55,968
Net change in fair value of hedging instruments transferred from equity to profit or loss	30g	**(56,970)**	148,147
Income tax on other comprehensive income	27	**(6,730)**	(61,604)
Other comprehensive income for the period, net of tax		**17,015**	142,342
Total comprehensive income – all attributable to the shareholders of the Company		**(80,144)**	132,874

Air Berlin PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2010

	Note	31/12/2010	31/12/2009
		€000	€000
Assets			
Non-current assets			
Intangible assets	6	**387,420**	318,060
Property, plant and equipment	7	**887,664**	1,209,743
Trade and other receivables	10	**157,657**	106,252
Deferred tax asset	27	**51,283**	0
Positive market value of derivatives	29	**6,448**	14
Deferred expenses		**20,409**	5,825
Investments in associates	8	**405**	3,183
Non-current assets		**1,511,286**	1,643,077
Current assets			
Inventories	9	**42,890**	38,724
Trade and other receivables	10	**298,570**	297,663
Positive market value of derivatives	29	**53,662**	23,720
Deferred expenses		**52,618**	35,120
Cash and cash equivalents	28	**411,093**	373,233
Current assets		**858,833**	768,460
Total assets		**2,370,119**	2,411,537
Equity and liabilities			
Shareholders' equity			
Share capital	11	**21,379**	21,379
Share premium	11	**373,923**	374,319
Equity component of convertible bond	16	**21,220**	51,598
Other capital reserves	11	**217,056**	217,056
Retained earnings		**(153,242)**	(62,323)
Hedge accounting reserve, net of tax	30	**23,163**	7,218
Foreign currency translation reserve	11	**1,837**	767
Total equity – all attributable to the shareholders of the Company		**505,336**	610,014
Non-current liabilities			
Liabilitites due to bank from assignment of future lease payments	16	**244,770**	583,158
Interest-bearing liabilities	16	**565,898**	273,355
Provisions	15	**8,090**	10,298
Trade and other payables	18	**73,261**	36,401
Deferred tax liabilities	27	**26,733**	4,327
Negative market value of derivatives	29	**25,913**	70,853
Non-current liabilities		**944,665**	978,392
Current liabilities			
Liabilitites due to bank from assignment of future lease payments	16	**56,533**	77,228
Interest-bearing liabilities	16	**33,140**	13,580
Tax liabilities		**10,616**	7,526
Provisions	15	**3,282**	11,177
Trade and other payables	18	**394,635**	334,926
Negative market value of derivatives	29	**25,166**	12,756
Deferred income		**75,223**	78,390
Advanced payments received	19	**321,523**	287,548
Current liabilities		**920,118**	823,131
Total equity and liabilities		**2,370,119**	2,411,537

The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2011 and signed on behalf of the Board:

J. Hunold — Joachim Hunold, Chief Executive Officer

Ulf Hüttmeyer, Chief Financial Officer

Air Berlin PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 December 2010

	Note	31/12/2010	31/12/2009
		€000	**€000**
Loss for the period		**(97,159)**	(9,468)
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Depreciation and amortisation of non-current assets	6, 7	**92,761**	109,144
Gain on disposal of non-current assets	21	**(25,035)**	(8,394)
Write-off of loans		**1,500**	2,000
Share based payments	13	**32**	(88)
Gain from step-up to fair value of previous interest in the acquiree	5	**(17,002)**	0
Increase in inventories		**(2,431)**	(2,032)
Decrease in trade accounts receivables		**5,270**	21,479
Increase in other assets and prepaid expenses		**(2,046)**	(23,978)
Deferred tax benefit	27	**(55,513)**	(17,834)
Decrease in provisions		**(10,103)**	(4,748)
Increase in trade accounts payables		**5,588**	26,689
Increase in other current liabilities		**4,443**	36,502
Losses on foreign exchange and derivatives, net	25	**24,720**	14,613
Interest expense	25	**70,429**	60,222
Interest income	25	**(5,797)**	(3,280)
Loss (profit) from redemption of convertible bonds	25	**42,193**	(21,273)
Income tax expense	27	**11,049**	5,606
Share of profit of associates	26	**(1,057)**	(808)
Other non-cash changes		**1,070**	(169)
Cash generated from operations		**42,912**	184,182
Interest paid		**(51,216)**	(49,442)
Interest received		**2,108**	1,812
Income taxes paid		**(7,945)**	(6,156)
Net cash flows from operating activities		**(14,141)**	130,396
Purchases of non-current assets		**(58,605)**	(161,738)
Purchase of minority interests		**0**	(1,182)
Net advanced payments for non-current items	10	**(18,542)**	(11,782)
Proceeds from sale of tangible and intangible assets		**563,182**	106,044
Loans given to third parties		**(40,500)**	0
Addition of NIKI, net of cash		**4,328**	0
Acquisitions of investments in associates	8	**0**	(17)
Cash flow from investing activities		**449,863**	(68,674)
Principal payments on interest-bearing liabilities		**(480,349)**	(202,791)
Proceeds from long-term borrowings		**222,996**	110,625
Payment of transaction costs related to issue of long-term borrowings		**(7,534)**	0
Issue of ordinary shares	11	**0**	72,247
Transaction costs related to issue of ordinary shares	11	**(565)**	(4,470)
Redemption of convertible bonds	16	**(136,872)**	(53,405)
Proceeds from issue of convertible bonds	16	**0**	125,000
Payment of transaction costs related to issue of convertible bonds	16	**0**	(6,339)
Cash flow from financing activities		**(402,324)**	40,867
Change in cash and cash equivalents		**33,398**	102,589
Cash and cash equivalents at beginning of period		**372,010**	267,809
Foreign exchange gains on cash balances		**4,265**	1,612
Cash and cash equivalents at end of period	28	**409,673**	372,010
thereof bank overdrafts used for cash management purposes		**(1,420)**	(1,223)
thereof cash and cash equivalents in the statement of financial position		**411,093**	373,233

Air Berlin PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Share capital	Share premium
	€ 000	€ 000
Balances at 31 December 2008	**16,502**	**307,501**
Share based payment		
Issue of ordinary shares	4,877	67,370
Transaction costs on issue of shares, net of tax		(3,130)
Acquisition of non-controlling interest		
Reimbursement of transaction costs (issue of ordinary shares), net of tax		2,578
Redemption of convertible bonds		
Issue of convertible bonds, net of tax		
Transaction costs on issue of convertible bonds, net of tax		
Total transactions with shareholders	**4,877**	**66,818**
Loss for the period		
Other comprehensive income		
Total comprehensive income	**0**	**0**
Balances at 31 December 2009	**21,379**	**374,319**
Share based payment		
Transaction costs on issue of shares, net of tax		(396)
Redemption of convertible bonds		
Total transactions with shareholders	**0**	**(396)**
Loss for the period		
Other comprehensive income		
Total comprehensive income	**0**	**0**
Balances at 31 December 2010	**21,379**	**373,923**

Equity component of convertible bonds	Other capital reserves	Retained earnings	Hedge accounting reserve, net of tax	Foreign currency translation reserve	Equity attributable to the shareholders of the Company	Minority interest	Total equity
€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
27,344	**217,056**	**(62,654)**	**(135,294)**	**936**	**371,391**	**629**	**372,020**
		(88)			(88)		(88)
					72,247		72,247
					(3,130)		(3,130)
		(553)			(553)	(629)	(1,182)
					2,578		2,578
(10,440)		10,440			0		0
36,548					36,548		36,548
(1,854)					(1,854)		(1,854)
24,254	**0**	**9,799**	**0**	**0**	**105,748**	**(629)**	**105,119**
		(9,468)			(9,468)		(9,468)
			142,512	(169)	142,343		142,343
0	**0**	**(9,468)**	**142,512**	**(169)**	**132,875**	**0**	**132,875**
51,598	**217,056**	**(62,323)**	**7,218**	**767**	**610,014**	**0**	**610,014**
		32			32		32
					(396)		(396)
(30,378)		6,208			(24,170)		(24,170)
(30,378)	**0**	**6,240**	**0**	**0**	**(24,534)**	**0**	**(24,534)**
		(97,159)			(97,159)		(97,159)
			15,945	1,070	17,015		17,015
0	**0**	**(97,159)**	**15,945**	**1,070**	**(80,144)**		**(80,144)**
21,220	**217,056**	**(153,242)**	**23,163**	**1,837**	**505,336**	**0**	**505,336**

Air Berlin PLC

COMPANY STATEMENT OF FINANCIAL POSITION

as of 31 December 2010

	Note	31/12/2010	31/12/2009
		€ 000	€ 000
Assets			
Non-current assets			
Investments in subsidiaries	34b	**470,964**	470,992
Investments in associates	34c	**13**	0
Deferred tax assets	34d	**41,707**	4,856
Positive market value of derivatives		**196**	0
Loans to subsidiaries	34e	**0**	15,200
Loans to associates	34f	**143**	39
Other loans	34e	**0**	1,500
Non-current assets		**513,023**	492,587
Current assets			
Loans to subsidiaries	34e	**199,802**	185,182
Receivables from subsidiaries	34g	**139,850**	91,200
Receivables from associates	34h	**149**	149
Positive market value of derivatives		**7,877**	58
Other receivables		**1,989**	4,228
Deferred expenses		**629**	904
Cash and cash equivalents		**138,956**	104,295
Current assets		**489,252**	386,016
Total assets		**1,002,275**	878,603
Equity and liabilities			
Shareholders' equity			
Share capital	34i	**21,379**	21,379
Share premium	34i	**373,923**	374,319
Equity component of convertible bond		**21,220**	51,598
Retained earnings		**48,228**	34,775
Total equity – all attributable to the shareholders of the Company		**464,750**	482,071
Non-current liabilities			
Interest-bearing liabilities		**192,672**	0
Other liabilities to subsidiaries	34k	**141,476**	198,089
Negative market value of derivatives		**67**	7,078
Non-current liabilities		**334,215**	205,167
Current liabilities			
Interest-bearing liabilities		**2,361**	0
Tax liabilities		**0**	4,815
Trade and other payables		**2,054**	2,395
Payables to subsidiaries	34m	**198,895**	182,720
Negative market value of derivatives		**0**	1,435
Current liabilities		**203,310**	191,365
Total equity and liabilities		**1,002,275**	878,603

The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2011 and signed on behalf of the Board:

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

Company registered number: 05643814

Air Berlin PLC

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Note	31/12/2010	31/12/2009
		€ 000	€ 000
Profit for the period		**7,213**	17,301
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Write-off of loans		**1,500**	2,000
Share based payments	12	**32**	(88)
(Increase) decrease in receivables from subsidiaries		**(48,650)**	88,356
Increase in receivables from associates		**0**	(1)
Decrease in other assets and prepaid expenses		**4,270**	2,659
Deferred tax benefit	34d	**(36,696)**	(226)
Decrease in trade accounts payables and other liabilities		**(326)**	(2,507)
Increase (decrease) in payables to subsidiaries	34g	**16,174**	(99,395)
Losses on foreign exchange and derivatives, net		**(16,496)**	(3,401)
Interest expense		**27,456**	17,945
Interest income		**(3,377)**	(3,022)
Loss (profit) from redemption of convertible bonds		**42,193**	(21,273)
Income tax (benefit) expense		**(420)**	2,254
Share of (profit) loss of associates		**(54)**	586
Cash generated from operations		**(7,181)**	1,188
Interest paid		**(10,991)**	(6,219)
Interest received		**1,620**	726
Income taxes paid		**(4,394)**	0
Net cash flows from operating activities		**(20,946)**	(4,305)
Acquisition of investments in subsidiaries	34b	**(13)**	(33)
Disposal of investments in subsidiaries	34b	**45**	0
Increase in share capital of subsidiaries	34b	**(5)**	(155,001)
Acquisition of investments in associates	34c	**(13)**	0
Loans given to subsidiaries	34e	**580**	(28,998)
Loans given to associates	34f	**(50)**	(250)
Cash flow from investing activities		**544**	(184,282)
Issue of ordinary shares	11	**0**	72,247
Transaction costs related to issue of ordinary shares	11	**(565)**	(4,470)
Redemption of convertible bonds	16	**(136,872)**	(53,405)
Proceeds from issue of convertible bonds	16	**0**	125,000
Payment of transaction costs related to issue of convertible bonds	16	**0**	(6,339)
Proceeds from issue of corporate bonds	16	**200,000**	0
Payment of transaction costs related to issue of corporate bonds	16	**(7,534)**	0
Cash flow from financing activities		**55,029**	133,033
Change in cash and cash equivalents		**34,627**	(55,554)
Cash and cash equivalents at beginning of period		**104,295**	159,978
Foreign exchange gains on cash balances		**34**	(129)
Cash and cash equivalents at end of period		**138,956**	104,295
thereof cash and cash equivalents in the statement of financial position		**138,956**	104,295

Air Berlin PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Share capital	Share premium	Equity component of convertible bonds	Retained earnings	Total equity
	€ 000	€ 000	€ 000	€ 000	€ 000
Balances at 31 December 2008	**16,502**	**307,501**	**27,344**	**7,122**	**358,469**
Share based payment				(88)	(88)
Issue of ordinary shares	4,877	67,370			72,247
Transaction costs on issue of shares, net of tax		(3,130)			(3,130)
Reimbursement of transaction costs (issue of ordinary shares), net of tax		2,578			2,578
Redemption of convertible bonds			(10,440)	10,440	0
Issue of convertible bonds			36,548		36,548
Transaction costs on issue of convertible bonds, net of tax			(1,854)		(1,854)
Total transactions with shareholders	**4,877**	**66,818**	**24,254**	**10,352**	**106,301**
Profit for the period				17,301	17,301
Total comprehensive income	**0**	**0**	**0**	**17,301**	**17,301**
Balances at 31 December 2009	**21,379**	**374,319**	**51,598**	**34,775**	**482,071**
Share based payment				32	32
Transaction costs on issue of shares, net of tax		(396)			(396)
Redemption of convertible bonds			(30,378)	6,208	(24,170)
Total transactions with shareholders	**0**	**(396)**	**(30,378)**	**6,240**	**(24,534)**
Profit for the period				7,213	7,213
Total comprehensive income	**0**	**0**	**0**	**7,213**	**7,213**
Balances at 31 December 2010	**21,379**	**373,923**	**21,220**	**48,228**	**464,750**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

1. INTRODUCTION

The consolidated financial statements of Air Berlin PLC for the year ended 31 December 2010 comprise Air Berlin PLC and its subsidiaries (together referred to as "airberlin" or the "Group") and the Group's interest in associates. airberlin is a public limited company incorporated in England and Wales with its registered office in London. The corporate headquarters of airberlin are located in Berlin. The Company's ordinary shares are traded on the Frankfurt Stock Exchange.

2. BASIC PRINCIPLES AND PREPARATION OF FINANCIAL STATEMENTS

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). On publishing the parent company financial statements here together with the group financial statements, the company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements. The Company financial statements are presented on pages 110 to 112.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all Group entities. The financial statements have been prepared on the historical cost basis except that derivative financial instruments and the put-option liability are stated at their fair value.

The consolidated financial statements have been prepared in Euro. The European Central Bank year end exchange rate was GBP 0.8608 to the Euro. All financial figures presented have been rounded to the nearest thousand currency units, except for share data. The financial statements were authorised and approved for issue by the Board of Directors on 18 March 2011.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report on Forecasts and the Outlook of the Group on pages 76 to 82.

The financial position of the Group, its cash flows, and liquidity position are described in the Development in Financial Figures on pages 50 to 57. Details for the Group's borrowings are set out in note 16 and 30 of the financial statements. In addition, notes 4u and 30 to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit and liquidity risk.

The Group meets its day to day working capital requirements through its cash holdings. As discussed in the Report on Forecasts and the Outlook of the Group on pages 76 to 82, the current economic conditions create uncertainty particularly in respect of fluctuating currency rates, fluctuating jet fuel prices and passenger demand. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will generate sufficient cash to meet its liabilities in the foreseeable future.

The directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future. The going concern basis is used in preparing the accounts.

Use of estimates

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
Judgements made by management in the application of Adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relate primarily to the estimate of residual values of fixed assets, the impairment test for goodwill and other intangible assets with indefinite lives and the expected utilisation of deferred tax assets and are discussed in note 4b, 4d and 4j below.

3. BASIS OF CONSOLIDATION

a) Subsidiaries

All subsidiaries under control of airberlin are included in the consolidated financial statements. Control exists when airberlin has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.
For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The subsidiaries listed in note 35 are included in the consolidated financial statements.
Several of the Company's subsidiaries prepare their financial statements in a currency other than Euro (Swiss francs). The assets and liabilities of these subsidiaries are translated to Euro at the exchange rates of the reporting date. The income and expenses of foreign operations are translated to Euro at the average exchange rate for the period. Foreign currency differences resulting are recognised directly in equity. Since 1 January 2003, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve.
All of the German subsidiaries identified in note 35 are required to present financial statements under German statutory law except for the following companies, as they are exempt due to Article 264b German Commercial Code:

- Air Berlin PLC & Co. Luftverkehrs KG
- Air Berlin PLC & Co. Airport Service KG
- Air Berlin PLC & Co. Cabin Service KG
- Air Berlin PLC & Co. Verwaltungs KG
- Air Berlin PLC & Co. Service Center KG

b) Special purpose entity

In 2006 the Group established a special purpose entity (SPE) in connection with the repurchase and administration of shares relating to its Employee Share Plan, which is included in the consolidated financial statements. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs are considered to be controlled by the Group if they were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Group receiving the majority of all the risks and benefits related to the SPE's operations and net assets.

c) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis and are initially recognised at cost, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Intangible assets

Goodwill is recognised where the cost of a business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Other identifiable intangible assets acquired through a business combination are capitalised at fair value and subsequently measured at cost less accumulated amortisation charges and impairment losses. Goodwill and other intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if there is an indication that the asset may be impaired.

Acquired intangible assets are recognised at cost less accumulated amortisation charges and impairment losses. Amortisation of intangible assets is based on the Group's accounting policies and calculated according to the straight-line method over the estimated useful lives (if applicable).

The estimated useful lives of intangible assets are as follows:

Software licenses	3–5 years
Trademarks	indefinite
Customer relationships	4 years
Landing rights (slots)	indefinite

Landing rights are determined to have indefinite lives, as they do not expire and are not subject to a regular loss in value over time. airberlin intends to use the trademark NIKI for the unforeseeable future and therefore the trademark is determined to have an indefinite life.

b) Property, plant and equipment

Property, plant and equipment are valued at their acquisition or production costs less accumulated depreciation and accumulated impairment losses. Depreciation is based on the Group's accounting policies and calculated according to the straight-line method over the estimated useful lives. Judgement is required in estimating the residual values and useful lives of property, plant and equipment. Uncertainty exists in the useful life of aircraft and in the amounts which can be realised through future disposals.

-- AIRCRAFT

The Group owns aircraft of the type Boeing 737-800, Airbus A319, A320 and A321, Bombardier Q400 as well as Embraer E190. The depreciation period is ten years taking into account estimated residual values. The residual values and useful lives are reviewed at the end of each period.

Portions of the cost of an aircraft is attributed on acquisition to major inspection and overhaul costs of its engines and airframe and is depreciated separately over a period of five to seven years, at which time the new overhaul is capitalised and depreciated over its useful life.

As aircraft are purchased in stages with the payment of initial and subsequent deposit payments, the borrowing costs associated with these payments are capitalised as part of the costs of those qualifying assets. Other borrowing costs are expensed as incurred.

-- LAND AND BUILDINGS

Land and buildings relate to two airport buildings leased under finance leases as further discussed in note 17. The buildings are depreciated over the shorter of their remaining useful lives or the lease term.

-- OTHER TANGIBLE ASSETS

The estimated useful lives of other tangible assets are as follows:

Technical equipment and machinery	8–15 years
Office equipment	3–13 years

c) Subsequent expenditure

Expenditure incurred to replace a component of an item of aircraft, engines and other equipment, including major inspection and overhaul expenditure, is capitalised as a separate item. Other subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the items of property, plant and equipment. All other expenditures are recognised in the statement of comprehensive income as an expense when incurred.

d) Impairment

-- NON-FINANCIAL ASSETS

The carrying amounts of the Group's property, plant and equipment and intangible assets are reviewed at the end of each period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill and intangible assets with indefinite lives, the recoverable amount is estimated at each period end.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recorded in the statement of comprehensive income.

The recoverable amount is the greater of the assets' fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are allocated first to goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata based on their carrying amounts. In respect of tangible assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
Judgement is required in determining the cash-generating unit, as well as in calculating value in use. The operating margins used in determining value in use are based on planned business and operational growth. The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business. The discount rate reflects management's estimate of the peer-group long-term cost of capital for the cash-generating unit.

-- FINANCIAL ASSETS

Financial assets are assessed at each reporting date to determine whether objective evidence of impairment exists. An impairment loss on financial assets measured at amortised cost is calculated as the difference between the present value of estimated future cash flows discounted at the original effective interest rate and its carrying amount.

e) Inventories

Inventories are measured at the lower of cost or net realisable value. Inventories include supplies and spares, raw materials and purchased merchandise. The cost of inventories is based on the weighted average cost formula.

f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method less impairment loss, which approximates their fair value. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables for which collection is doubtful are written down to their realisable value in a separate account. Further details to the allowance for impairment losses are found in note 30b. The allowance for impairment losses is used to record impairment losses until the Group determines that the receivable is irrecoverable. Financial assets are derecognised directly when they are expected to be irrecoverable.
Estimated future cash flows are based on estimates and judgements regarding the credit worthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses.

g) Derivatives

Derivative financial instruments are used for hedging fuel price, interest rate, and currency rate risks arising from operational and financing activities. Hedging transactions are entered into to eliminate uncertainty over future cash flows. Derivative financial instruments are recognised initially at fair value. All derivatives that do not qualify for hedge accounting are classified as held for trading. Hedge accounting is discontinued prospectively if the hedging instrument expires, is sold, is terminated or exercised, if the Group revokes the designation as hedge accounting or if the hedge no longer meets the criteria for hedge accounting. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Any resultant gain or loss is recognised directly in the statement of comprehensive income as profit or loss unless the derivative has been classified as a hedge of a highly probable future cash flow. The effective portion of gains and losses from changes in the fair value of derivatives designated as cash flow hedges are taken to equity in accordance with IAS 39 and are recognised in profit and loss when the related transaction impacts income or the future cash flow ceases to be considered probable. The ineffective portion of a cash flow hedge is recognised immediately in profit or loss.
Forward exchange transactions are used to mitigate exchange rate exposure. Commodity swaps and options are used to limit the fuel price risk. The Group uses cross-currency interest rate swaps to convert variable rate liabilities in foreign currency to fixed rate positions in the functional currency.
The fair value of derivatives is their quoted market price at the end of the period.

h) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short-term deposits with an initial maturity of less than three months. Cash and cash equivalents are valued at cost. Bank overdrafts used for cash management purposes are included in cash and cash equivalents for purposes of the cash flow statement. Cash and cash equivalents also include restricted cash as set out in note 28.

i) Share capital
Share capital of the Company consists of ordinary shares and redeemable Class A shares. In addition the Company holds treasury shares.

-- ORDINARY SHARES
Incremental costs directly related to the issue of ordinary shares are shown as a deduction in equity.

-- REDEEMABLE "CLASS A" PREFERENCE SHARES
Class A shares are classified as equity, as these shares are redeemable only at the option of airberlin and any dividends are discretionary. Dividends are recognised as distributions within equity.

-- TREASURY SHARES
Repurchased shares are classified as treasury shares and shown as a deduction from total equity. The amount of consideration paid for the repurchase of share capital, including directly attributable costs, is recognised as a deduction in retained earnings.

j) Income taxes
Income tax on the profit or loss for the year and on items taken to equity comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, and any adjustment to tax payable in respect of previous years.
Deferred taxes are calculated in accordance with IAS 12 on the basis of temporary differences between the tax base at the level of the individual company and the respective IFRS book value. No deferred tax is recognised on the initial recognition of goodwill arising from acquisitions. A deferred tax asset is recognised for tax losses carried forward and other temporary differences resulting in an expected tax benefit in future periods to the extent that it is probable that taxable income will be available in the near future against which the unused tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the period. Judgement is required in estimating the probability of utilisation of deferred tax assets; uncertainty exists in the amount and timing of future taxable income.

k) Provisions
A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation is measurable. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

l) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost using the effective interest method.

m) Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently stated at their amortised cost using the effective interest method, which approximates their fair value.

n) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the exchange rate at the end of the period. Any differences resulting from the currency translation are recognised in the statement of comprehensive income. Further details of currency risk are provided in note 30d.

Exchange rate differences arising from interest-bearing liabilities and other financing activities – as well as unrealised exchange rate differences due to the fair value measurement of derivative financial instruments and other unrealised foreign exchange rate gains and losses – are classified as part of financing costs. All other exchange rate differences are allocated to the various income and expense line items from which they arose within operating results.

o) Recognition of income and expenses

Revenue relates primarily to transportation services provided and duty-free sales. Revenue and other operating income are recognised when the corresponding service has been provided (for example transportation) or when the risks and rewards associated with the right of ownership are transferred to the buyer (for example duty-free sales). Revenue is measured at the fair value of the consideration received taking into account the amount of any sales deductions (for example air passenger duty, VAT and discounts). Expenses are recognised in the period in which they are incurred, which generally corresponds to the time at which the income is recognised.

p) Deferred income and expenses

Deferred income in the statement of financial position relates mainly to ticket sales and airberlin's frequent flyer plan.

airberlin recognises ticket sales as income at the time the transportation is provided. However, when the fare is for a round-trip and the return flight has not been taken at year end, the unearned revenue is deferred in the consolidated statement of financial position under "deferred income" until such time the transportation is provided. Revenue on unclaimed tickets is realised when the expiry date of the ticket has passed.

Deferred expenses in the statement of financial position relate mainly to the prepayments, primarily relating to aircraft lease costs, insurances and other contracts and deferred losses on the sale and leaseback of aircraft.

-- FREQUENT FLYER PLAN

The Group operates a frequent flyer plan which allows the customer to collect bonus miles on flights, by doing business with airberlin's partners (hotels, car rental agencies, insurance and financial service companies) or by shopping.

The frequent flyer plan miles earned are valued at fair value using the deferred-income-method in accordance with IFRIC 13.

q) Leasing

The Group leases a number of aircraft under operating leases which require airberlin to maintain the leased assets. Repair and overhaul costs are not included in the lease rentals. For the majority of its leased aircraft, the Group makes payments for the future maintenance expenses to the lessor. These are based on the estimated costs of major airframe and certain engine checks and are calculated based on the number of flight hours or cycles flown. When maintenance takes place the Group is reimbursed for the payments already made.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

The Group capitalises fixed assets leased under arrangements in which substantially all the risks and rewards of ownership are transferred to the Group as finance leases in accordance with IAS 17. Leased assets are measured initially at the lower of their fair value or the present value of the minimum lease payments. The assets are depreciated on a straight-line basis over the lease term. The related obligation is shown under interest-bearing liabilities in the amount of the discounted minimum lease payments less payments made.

Lease income from operating leases is recognised in the statement of comprehensive income over the lease term.

The Group carries out sale and leaseback transactions. If the leaseback transaction is an operating lease, and the sale price is below fair value of the asset, any profit or loss is recognised immediately in the statement of comprehensive income in accordance with IAS 17. If the loss is compensated for by future lease payments below market price, it is deferred and amortized in proportion to the lease payments over the lease term.

r) Pensions

Defined benefit plans are post-employment benefit plans which do not qualify as defined contribution plans. Defined contribution plans are pension plans under which fixed contributions are paid into a separate legal entity with no legal or constructive obligation to pay further amounts.

The Group's net obligation or asset in connection with defined benefit plans is calculated separately for each plan. The amount of future benefits that employees have earned in return for their service in current and prior periods is estimated and discounted to present value using an appropriate discount rate based on AA-credit rated bonds with maturities approximating the maturities of the Group's obligations under the pension plans. The calculation is performed by a qualified actuary using the projected unit credit method. The fair value of plan assets as of the end of the period are deducted from the obligation. Any resulting net assets are limited to the net total of the present value of future refunds or reductions in payments and the amount of any unrecognised prior service cost.

Actuarial gains and losses are recognised immediately in profit or loss in the period in which they are incurred.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit and loss in the period in which they are due.

s) Share-based payment transactions

The fair value of options granted to employees is estimated on the grant date and recognised in the statement of comprehensive income as personnel expense over the vesting period (i.e. the period in which the employees become unconditionally entitled to the options). The corresponding entry is an increase in equity. The fair value was determined using valuation techniques which comply with IFRS 2.

The amount recognised as an expense is adjusted to reflect the number of share options expected to vest. Market conditions are included in the calculation of fair value at grant date and do not affect future valuation, whereas vesting conditions are taken into consideration in determining the number of share options expected to vest. Further details to vesting conditions are found in note 13.

t) New pronouncements – not adopted

Some new standards, alignments of standards and interpretations were issued and endorsed by the EU for the financial years beginning on or after 1 January 2010 but have not been applied by the Group in preparing the financial statements. None of them is expected to have a significant effect on the financial statements of the Group except for IFRS 9 "Financial Instruments" that is compulsory to adopt for the Group's financial year 2013. The standard could have effects on the classification and valuation of financial assets. The Group is not intending to adopt this standard early and therefore the respective impact has not been determined.

u) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout the financial statements.
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has an established risk management system, which monitors the Group's risk management policies. Any significant risks are reported to the Board.
Risk reporting includes the review and assessment of all risks in the individual departments. This includes the registration of new risks and the reassessment of existing risks regarding their probability of occurrence and potential effect on earnings. In general a quantitative assessment of risks is undertaken. The registered risks are continuously updated using respective IT-tools.
Extensive risk reporting, which contains information on current risks and assessments, changes in assessments and the appropriate measures is submitted each quarter to the Executive Board.
There were no changes in the Group's exposures to risk or its objectives, policies and processes for identifying, measuring and managing risks since the previous period.

Credit risk

Single-seat tickets are sold subject to payment up front. Credit risk is very low and limited to payments made from overdrawn bank accounts shortly before the flight. Credit risk relating to bulk ticket sales to charter and package tour operators is also limited, as tour operators make regular pre-payments during the month based on the expected monthly sales.
The sale of passage and freight documents is handled via agencies and the Internet within the guidelines of the International Air Transport Association (IATA). Agencies are connected with country-specific clearing systems for the settlement of passage or freight sales. Individual agents are subject to controls by appropriate clearing houses. The credit risk from an individual sales agent is relatively low due to worldwide dispersion. Where the agreement upon which a payment is based does not explicitly state otherwise, claims and liabilities arising between the airlines are usually settled on a bilateral basis or via a clearing house of IATA. Settlement takes place principally through the balancing of all receivables and liabilities in monthly intervals, which also contributes to a significant reduction in the risk of non-payment. Separate security may be required in the particular payment agreement for other transactions.

For all other payment relationships, depending upon the type and level of the particular payment, securities may be required or credit information/references obtained. Historical data from the business relationship up until that point, in particular in relation to payment behaviour, may be used in an effort to avoid non-payment. Recognisable risks are accounted for by valuation adjustments on receivables.
The credit risk from investments and derivative financial instruments arises from the risk of non-payment by a contract partner. Since the transactions are concluded with contracting parties of the highest possible credit rating the risk of non-payment is extremely low. Cash in bank is held only at banks with the highest credit ratings. Derivative financial instruments are also held with parties with AA ratings or that are known to be reliable based on past experience. The Group considers its net position in determining its impairment risk on bank balances and positive market values of derivatives.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity in the Group is protected by appropriate liquidity planning and adequate financing structures.
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the airberlin reputation.
A group-wide treasury management system is implemented. It covers and evaluates all matters associated with interest and exchange rates. All substantial airberlin companies are fully incorporated into the airberlin treasury management system. In addition the Group has enhanced its liquidity management through the development of a liquidity management tool which incorporates expected operational, financing and investing cash flows on a weekly basis. The primary focus is on sufficient liquidity, based on comprehensive financial and liquidity planning.
The treasury management system includes those hedge relations required by IAS 39 for hedge accounting and the calculations for hedge effectiveness. Both the underlying transactions and the hedging activities are incorporated into this system. All the hedging arrangements entered into are continuously monitored on their effectiveness and modified as necessary.

Market risk
Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and commodity prices. Changes in market prices can affect the Group's income and expenses or the value of airberlin holdings in financial instruments.
As an airline airberlin is exposed to currency, interest rate and fuel price risks as well as credit and liquidity risks. airberlin uses derivatives to limit these risks. A detailed description of the Group's exposure to market risks and the hedging activities to limit these risks is presented in note 30.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board seeks to maintain a balance between higher returns that might be possible with a higher level of borrowings and the advantages and security afforded by a sound capital position. In particular, in reviewing the Company's financing alternatives, the Board, always bearing in mind the shareholders' return on equity, balances a variety of financing options, including share issues, bond issues and traditional bank financing.
The airberlin group is not subject to any externally imposed capital requirements.

v) Financial instruments

Financial instruments are all contracts which lead to the recognition of a financial asset, a financial liability or an equity instrument. Financial assets include primarily cash and cash equivalents, trade receivables, loans receivables and positive market values of derivative financial instruments. Financial liabilities include liabilities to banks, trade creditors, finance lease liabilities, put-option liability and negative market values of derivatives. Financial instruments are recorded in the statement of financial position at the time airberlin becomes partner to a contract for a financial instrument.

Categories of financial assets and financial liabilities which apply to airberlin are as follows:

- Loans and receivables
- Financial assets at fair value through profit or loss classified as held for trading in accordance with IAS 39 (derivative financial instruments)
- Financial liabilities at fair value through profit or loss - designated as such upon initial recognition (put-option liability) – classified as held for trading in accordance with IAS 39 (derivative financial instruments)
- Financial liabilities measured at amortised cost (includes trade payables and other financial liabilities as well as interest-bearing liabilities and liabilities due to banks for the assignment of future lease payments)

The categories of financial assets and financial liabilities are further detailed in note 30h.

airberlin has defined the following classes of financial assets and financial liabilities:

- Loans and receivables
- Derivative financial instruments classified as held for trading
- Derivative financial instruments classified as hedge accounting
- Financial liabilities measured at amortised cost (includes interest-bearing liabilities and liabilities due to banks from assignment of future lease payments, trade payables and other financial liabilities)
- Financial liabilities measured at fair value (includes put-option liability)
- Cash and cash equivalents
- Finance leases

5. BUSINESS COMBINATION NIKI

On 5 July 2010, through the acquisition of a further 25.9%, the Group's share in NIKI Luftfahrt GmbH, Vienna, Austria (NIKI) rose to 49.9%. In addition the Group fulfilled the requirements of IAS 27.13a and IAS 1.83 and therefore has consolidated the net assets and results of NIKI. Furthermore the Group granted a loan to the owner of NIKI amounting to € 40,500. The borrower has the right to repay the loan upon maturity or to transfer his remaining shares in NIKI to the Group.

The increase of shares in NIKI unites the present extensive cooperation with NIKI under the umbrella of the Group and creates the possibility to realize further synergies. Market presence of the Group in Austria will be enormously strengthened and Vienna will be developed into another Hub of the Group. Further growth opportunities can be realized due to the mere presence of NIKI in Eastern Europe and the former crown states.

In the six months to 31 December 2010 NIKI contributed revenue of € 173,169. If the acquisition had occurred on 1 January 2010, management estimates that consolidated revenue would have been € 3,850,187. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2010.

Consideration transferred

Cash consideration amounting to € 21,000 was paid at the acquisition date.

Identifiable assets acquired and liabilities assumed

In thousands of Euro

Intangible asset	**66,606**
Property, plant and equipment	**243,886**
Trade and other receivables	**52,037**
Positive market value of derivatives	**5,957**
Other assets	**3,640**
Cash and cash equivalents	**25,328**
Interest-bearing liabilities	**(197,781)**
Trade and other payables	**(90,638)**
Negative market value of derivatives	**(4,717)**
Deferred tax liability	**(20,060)**
Other liabilities	**(4,154)**
Total net identifiable assets	**80,104**

Goodwill

Goodwill was recognized as a result of the business combination as follows:

In thousands of Euro

Total consideration transferred	**21,000**
Fair value of put-option	**40,500**
Fair value of previous interest in the acquiree	**19,421**
Less fair value of identifiable net assets	**(80,104)**
Goodwill	**817**

The remeasurement to fair value of the Group's existing 24 % interest in the acquiree resulted in a gain of € 17,002 which has been recognized in other income (see note 21).

The goodwill results from a variety of factors including synergies between the route networks and expected cost savings. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Group incurred costs for the additional shares in NIKI of € 1,702 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of comprehensive income.

6. INTANGIBLE ASSETS

In thousands of Euro	Software licences	Goodwill	Landing rights	Trademarks	Customer relationship	**Total**
Acquisition cost						
Balance at 1 January 2009	22,117	194,668	108,249	6,592	3,036	**334,662**
Additions	4,107	0	10,000	0	0	**14,107**
Disposals	(405)	0	0	(6,592)	0	**(6,997)**
Balance at 31 December 2009	25,819	194,668	118,249	0	3,036	**341,772**
Additions	8,640	0	0	0	0	**8,640**
Additions through business combinations	106	817	58,000	8,500	0	**67,423**
Disposals	(1,032)	0	0	0	0	**(1,032)**
Balance at 31 December 2010	33,533	195,485	176,249	8,500	3,036	**416,803**
Depreciation						
Balance at 1 January 2009	16,455	0	0	3,313	1,075	**20,843**
Depreciation charge for the year	5,823	0	0	3,279	759	**9,861**
Disposals	(400)	0	0	(6,592)	0	**(6,992)**
Balance at 31 December 2009	21,878	0	0	0	1,834	**23,712**
Depreciation charge for the year	5,894	0	0	0	759	**6,653**
Disposals	(982)	0	0	0	0	**(982)**
Balance at 31 December 2010	26,790	0	0	0	2,593	**29,383**
Carrying amount						
At 1 January 2009	5,662	194,668	108,249	3,279	1,961	**313,819**
At 31 December 2009	3,941	194,668	118,249	0	1,202	**318,060**
At 31 December 2010	6,743	195,485	176,249	8,500	443	**387,420**

In connection with the business combination NIKI (see note 5) landing rights and trademarks have been accounted for at their fair values as of the acquisition date. The valuation of landing rights has been performed on a fair value basis and is based on the average cash flows that can be generated by a representative market participant on regulated airports under consideration of a scarcity factor. Significant assumptions used in the calculation of value in use were a discount rate of 10.55% and cash flow projections for each route with an individual landing right. The valuation of the trademark NIKI is predicted on a licence price analogy. Assuming an indefinite life the valuation is based on trademark-related revenues multiplied by a licence rate that is derived from comparable transactions and discounted with a discount rate of 10.55%.

The Group performed an impairment test on both landing rights and goodwill in the fourth quarter of 2010 based on a variety of assumptions and concluded that as the estimated recoverable amount exceeds the carrying amounts, no impairment was required. The recoverable amount was determined for the cash-generating unit to which the landing rights and goodwill belongs.

The Group has determined three cash-generating units for purposes of the impairment test and allocated goodwill to these cash generating units as follows:

In thousands of Euro	Freight	Technical services	Flight services	**Total**
Goodwill	31,000	0	164,485	**195,485**
Landing rights	0	0	176,249	**176,249**

Flight services is the most significant cash-generating unit with significant intangibles allocated to it. For flight services, the future cash flows were estimated using the value-in-use method based on the most recent five year cash flow plan approved by management for the existing fleet, extrapolated to perpetuity using a 0.5% growth rate (2009: two year cash flow plan, growth rate 0.5%) and discounted to their present value. The pre-tax peer-group weighted average cost of capital was 9.01% (2009: 10.43%). The plan is based on a passenger volume of 36-43 million passengers (2009: 33-35 million passengers). The calculation of value in use is most sensitive to the assumptions of discount rate and the number of passengers. The operating margins used in determining value in use are based on planned business and operational growth, excluding growth arising from purchases of additional fixed assets but including maintenance and repairs. The recoverable amount exceeds the carrying amount by a significant amount. The recoverable amount of the cash-generating unit Flight services will be equal to its carrying amount by an adverse change in the weighted average cost of capital of more than ten percentage points (2009: 2.57%) or through a decline in the passenger volume of about 13 percentage points (2009: about 4%). The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business. The discount rate reflects management's estimate of the peer-group long-term cost of capital for the cash-generating unit.

7. PROPERTY, PLANT AND EQUIPMENT

In thousands of Euro	Land and buildings	Aircraft and engines	Technical equipment and machinery	Office-equipment	**Total**
Acquisition cost					
Balance at 1 January 2009	28,834	1,474,269	130,015	36,978	**1,670,096**
Additions	322	151,978	24,002	5,687	**181,989**
Disposals	(7)	(124,361)	(62,100)	(2,243)	**(188,711)**
Reclassifications	10,923	0	14,735	(25,658)	**0**
Balance at 31 December 2009	40,072	1,501,886	106,652	14,764	**1,663,374**
Additions	429	34,190	34,020	3,186	**71,825**
Disposals	(110)	(748,189)	(34,285)	(3,213)	**(785,797)**
Additions through business combinations	24	239,518	4,117	227	**243,886**
Balance at 31 December 2010	40,415	1,027,405	110,504	14,964	**1,193,288**
Depreciation					
Balance at 1 January 2009	4,337	352,089	23,586	20,141	**400,153**
Depreciation charge for the year	3,580	81,563	10,267	3,873	**99,283**
Currency translation adjustments	0	0	27	0	**27**
Disposals	(1)	(30,343)	(14,434)	(1,054)	**(45,832)**
Reclassifications	7,394	0	9,947	(17,341)	**0**
Balance at 31 December 2009	15,310	403,309	29,393	5,619	**453,631**
Depreciation charge for the year	3,978	67,691	10,772	3,667	**86,108**
Currency translation adjustments	0	0	(7)	0	**(7)**
Disposals	(175)	(217,892)	(13,623)	(2,418)	**(234,108)**
Balance at 31 December 2010	19,113	253,108	26,535	6,868	**305,624**
Carrying amount					
At 1 January 2009	24,497	1,122,180	106,429	16,837	**1,269,943**
At 31 December 2009	24,762	1,098,577	77,259	9,145	**1,209,743**
At 31 December 2010	21,302	774,297	83,969	8,096	**887,664**

Borrowing costs for aircraft and engines capitalised in 2010 and 2009 are € 0 and € 543 respectively, at borrowing rates between 1.51% and 1.72% in the previous year.
Aircraft are pledged as security in connection with the Group's interest-bearing liabilities and liabilities due to banks from assignment of future lease payments.
Capital commitments for property, plant and equipment amount to 6.4 bn USD (2009: 7.8 bn USD).
Tangible assets include land and buildings, aircraft and engines, and technical equipment and machinery which have been capitalised as a result of finance leases.

The book value of tangible assets capitalised as a result of finance leases is as follows:

In thousands of Euro	**2010**	2009
Land and buildings	**18,380**	21,439
Aircraft and engines	**45,012**	47,097
Technical equipment and machinery	**2,011**	2,010
	65,403	70,546

Finance leases are explained in more detail in note 17.

8. INVESTMENTS IN ASSOCIATES

In thousands of Euro	**2010**	2009
Acquisition cost		
Balance at 1 January	**3,183**	1,771
Additions	**13**	17
Disposals	**(716)**	0
Share of profit	**344**	1,395
Disposal due to acquisition	**(2,419)**	0
Balance at 31 December	**405**	3,183

The Group has the following investments in associates:

Ownership	Country	**2010**	2009
		%	**%**
Niki Luftfahrt GmbH, Vienna*	Austria	**n/a**	24.0
IBERO Tours GmbH, Düsseldorf**	Germany	**0.0**	50.0
Follow Me Entertainment GmbH, Cologne***	Germany	**50.0**	0.0
Lee & Lex Flugzeugvermietung GmbH, Vienna	Austria	**24.0**	24.0
BINOLI GmbH, Berlin	Germany	**49.0**	49.0
THBG BBI GmbH, Schönefeld	Germany	**35.0**	35.0
E190 Flugzeugvermietung GmbH, Vienna	Austria	**24.0**	24.0

* Since 5 July 2010 the company is fully consolidated (see note 5)
** In connection with the concentration on core business, disposal in the second quarter of 2010
*** Accounted for as an associate due to lack of control

The Group's share of recognised profit in the above associates for the years ending 31 December 2010 and 2009 is € 1,057 and € 808, respectively.
In the prior year the Group has recognised losses relating to Lee & Lex Flugzeugvermietung GmbH only up to the amount of the Group's net investment in the associate. In connection with the recognition of these losses the Group's long-term loans receivable to Lee & Lex Flugzeugvermietung GmbH have been written off by € 718. The write off has been reversed during the reporting period.

Similarly the Group has recognised losses relating to Binoli GmbH only up to the amount of the Group's net investment in the associate. In connection with the recognition of the losses the Group's long-term loans receivable to Binoli GmbH have been written off by € 407 for the year ending 31 December 2010 (2009: € 461).
airberlin has recognised losses relating to THBG BBI GmbH only up to the amount of the Group's net investment in the associate. In connection with the recognition of the losses the Group's long-term loans receivable to THBG BBI GmbH have been written off by € 59 for the year ending 31 December 2010 (2009: € 0).

Summary of financial information on associates – 100 per cent. The latest financial information (2009) disclosed the following amounts:

In thousands of Euro	Assets	Liabilities	Equity	Revenues	Profit (loss)
Follow Me Entertainment GmbH, Cologne	n/a	n/a	n/a	n/a	n/a
Lee & Lex Flugzeugvermietung GmbH, Vienna	49,945	53,552	(3,607)	7,444	(615)
BINOLI GmbH, Berlin	1,702	2,384	(682)	1,693	110
THBG BBI GmbH, Schönefeld	17,824	17,992	(168)	0	(649)
E190 Flugzeugvermietung GmbH, Vienna	41,392	42,321	(929)	3,092	(999)

9. INVENTORIES

Inventories are made up of supplies and spares and purchased merchandise as follows:

In thousands of Euro	**2010**	2009
Supplies and spares	**41,712**	37,102
Purchased merchandise	**1,178**	1,622
	42,890	38,724

Inventories are measured at the lower of cost and net realisable value. In 2010 the impairment of inventories was released by € 553 (2009: € 137). The amount of inventories expensed directly in the statement of comprehensive income is reported in note 22.

10. TRADE AND OTHER RECEIVABLES, CURRENT AND NON-CURRENT

In thousands of Euro	Current 2010	Non-Current 2010	**Total 2010**	Current 2009	Non-Current 2009	Total 2009
Trade receivables	96,418	0	**96,418**	95,380	0	95,380
Receivables from related parties	7,830	4,112	**11,942**	26,990	2,711	29,701
Loans receivable	0	0	**0**	0	1,500	1,500
Loans receivable due to business combination NIKI	0	43,538	**43,538**	0	0	0
Accrued receivables	506	0	**506**	17	0	17
Security deposits and deposits with suppliers	20,638	33,370	**54,008**	6,463	30,965	37,428
Receivables for bonus and claims	30,770	0	**30,770**	38,656	0	38,656
Receivables from sale of fixed assets	0	0	**0**	37,961	12,123	50,084
Other receivables	15,394	76	**15,470**	12,033	0	12,033
Loans and receivables	171,556	81,096	**252,652**	217,500	47,299	264,799
Receivables from tax authorities	6,476	0	**6,476**	2,550	0	2,550
Advanced payments on aircraft and other tangible assets	86,800	61,298	**148,098**	62,610	57,037	119,647
Other assets	33,738	15,263	**49,001**	15,003	1,916	16,919
	298,570	157,657	**456,227**	297,663	106,252	403,915

Security deposits and deposits with suppliers relate primarily to amounts which are held as deposit according to supplier agreements and which are repaid after all obligations from the supplier agreement have been fulfilled. The amounts are carried at amortised cost using the effective interest method.

Other assets mainly include suppliers with debit balances (2010: € 23,340 and 2009: € 6,899).

Advanced payments on aircraft and other tangible assets relate primarily to advanced payments, deposits and commitment fees made under the Group's various agreements for the purchase of aircraft. Net payments of € 18,542 (2009: € 11,782) were made during the period and € 6,899 was capitalised in 2010 (2009: € 34,210).

The Group's exposure to credit and currency risks and impairment losses related to trade receivables and other financial assets are disclosed in note 30.

11. SHARE CAPITAL AND RESERVES

Share capital and share premium

On 4 June 2009 the Company issued 6,571,700 new shares at a share price of € 3.50. Gross proceeds on the issue of new shares amounted to € 23,000,950.
On 10 June 2009 the Company issued 4,500,000 new shares at a share price of € 3.50. Gross proceeds on the issue of new shares amounted to € 15,750,000.
On 19 October 2009 the Company issued 8,437,393 new shares at a share price of € 3.97. Gross proceeds on the issue of new shares amounted to € 33,496,450.
Transaction costs incurred in 2009 amounted to k€ 4,470. In 2010 further transaction costs of k€ 565 have been incurred.
Share capital of 85,226,196 ordinary shares of € 0.25 each and 50,000 A shares of £ 1.00 each was issued and fully paid up as of 31 December 2010. Included in this amount are 177,600 treasury shares held by airberlin (through the Air Berlin Employee Share Trust) in connection with the employee share plan described below. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders.
The A shares are redeemable at the option of airberlin only, and the holders of A shares shall not be entitled to any participation in the profits or assets of airberlin save on a distribution of assets of airberlin among its members on a winding up or other return of capital (other than a redemption or purchase by airberlin of its own shares), in which case the holders of A shares shall be entitled, in priority of any holder of ordinary shares, to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each A share.

Other capital reserves

Other capital reserves are comprised of general partners' and limited partners' capital of consolidated partnerships and subscribed capital of consolidated entities which were reclassified to other capital reserves due to the reverse acquisition in 2005.

Treasury shares

In connection with the amendment made to the employee share-based payment scheme discussed below, the Company repurchased the beneficial interest (and limited all significant legal aspects of the ownership, such as voting rights) in 177,600 shares of its stock in 2006. The purchase price was € 0.25 per share (par value), resulting in a decrease in retained earnings of € 45.

Hedge accounting reserve

The reserve for hedge accounting contains the effective portion of the cumulative net change in the fair value of derivative financial instruments designated as hedges of probable future cash flows, net of tax.

Foreign currency translation reserve

The reserve for currency translation differences comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries.

Dividends

No dividends on ordinary shares or Class A shares were declared or paid during the period.

12. EARNINGS PER SHARE

The basic (and diluted) earnings per share are determined by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding during the financial year.

In thounsands of Euro and thousands of shares, except EPS	**2010**	2009
Loss for the year	**(97,159)**	(9,468)
Dividends declared on redeemable "Class A" preference shares	**0**	0
Loss attributable to ordinary shareholders (basic and diluted)	**(97,159)**	(9,468)
Issued ordinary shares at 1 January	**85,226**	65,717
Effect of shares issued in 2009	**0**	7,984
Effect of treasury shares held	**(178)**	(178)
Weighted average number of ordinary shares outstanding (basic)	**85,048**	73,523
Weighted average number of ordinary shares outstanding (diluted)	**85,048**	73,523
Basic earnings per share (in €)	**(1.14)**	(0.13)
Diluted earnings per share (in €)	**(1.14)**	(0.13)

The 50,000 Class A shares (redeemable preference shares) do not entitle the holders to any participation in the profit or loss of airberlin, as dividends are discretionary. These shares therefore have not been included in the calculation of the weighted average number of ordinary shares outstanding above.
The conversion of convertible bonds would have had an anti-dilutive effect on earnings per share and is therefore not considered in the calculation of diluted earnings per share.

13. EMPLOYEE SHARE PLAN

The Company introduced a share-based payment scheme in April 2006, which was later amended in November 2006, as part of the remuneration package provided to the Executive Directors and certain senior executives of the Group (each a "Participant"). In April 2006 the Company invited Executive Directors and certain senior executives of the Group (each a "Participant") to subscribe for shares in a one-off award (the "Award"). Participants paid the nominal value for their shares. The Award was made subject to the conditions set out in an agreement entered into between the Company and each Participant. Participants became owners of the shares when they subscribed for them but were unable to sell or otherwise dispose of the shares other than in accordance with the agreement.
The plan was amended on 28 November 2006 so that the Company reacquired the beneficial interest in all of the shares under the Award and placed restrictions on the legal interest in the shares (i.e. voting rights). The beneficial interest in the shares was transferred to Ogier Employee Benefit Trustee Limited as trustee of the Air Berlin Employee Share Trust. The amendment was not treated as a modification.

Under the terms of the revised Employee Share Plan 2006 the Participant holds (limited) legal title to the shares but will only be able to acquire the beneficial interest to the shares if certain performance conditions are met and if the employee remains with the Company for the entire performance period (vesting period). If the conditions are not met, if the Participant leaves the Company before the end of the vesting period or if the Participant does not transfer payment for the shares within two weeks upon notification by the Company that the conditions have been met, the Company may require the Participant to transfer legal title to the shares to the Company. Participants are not entitled to receive dividends during the performance period. In addition, restrictions have been placed on the Participant's legal interest in the shares (i.e. voting rights) during the performance period. The shares are divided equally in three tranches, each comprising one-third of the shares granted. 50% of the shares granted under each of the tranches are subject to a performance condition based on return on equity achieved by the Company and 50% of the shares granted under each of the tranches are subject to performance conditions based on the percentage increase in the Company's share price over a three-year period as follows:

Tranche and three-year performance period (ending 31 December)	Total number of shares in tranche	Threshold return on equity element	Threshold share price growth element
Tranche 1: 2008	59.200	13%	35%
Tranche 2: 2009	59.200	14%	38%
Tranche 3: 2010	59,200	15%	40%

Both performance conditions will be measured in respect of the first, second and third tranches over the performance periods of three consecutive financial years ending on 31 December 2008, 2009 and 2010 respectively.
The right to acquire the beneficial interest in the shares subject to the Employee Share Plan 2006 is exercisable during a two week period following notification by the Company of fulfilment of the performance criteria. The exercise price is € 0.25 per share, the nominal value of the shares.
The performance conditions were not met for all of the three Tranches as at 31 December 2010. Therefore, participants will not be able to call for the economic interest in the shares and will be required to transfer the legal ownership of those shares to the Air Berlin Employee Share Trust. The equity-settled share-based payment transactions are measured at fair value on the grant date in accordance with IFRS 2. The weighted average fair value of these options was € 8.95 at the measurement date. The fair value of the options granted was determined using the binomial model under the following assumptions:

- Volatility: 40%
- Dividends: 0
- Risk-free interest rate: 4%

Volatility was estimated by a peer group analysis in the airline sector, adjusted for a "new issuer" premium.

The number and weighted average exercise price of share options during the period was as follows:

Share options	Number of share options **2010**	Weighted average exercise price **2010**	Number of share options 2009	Weighted average exercise price 2009
Outstanding at the beginning of the period	**56,800**	**0.25**	113,600	0.25
Forfeited during the period	**56,800**	**0.25**	56,800	0.25
Outstanding at the end of the period	**0**	**0.25**	56,800	0.25
Exercisable at the end of the period	**0**	**0.25**	0	0.25

No options were exercised or lapsed during the period.
Total expense in the statement of comprehensive income relating to the Employee Share Plan was € 32 in 2010 (2009: benefit € 88).

14. PENSION LIABILITIES / EMPLOYEE BENEFITS

The Group held provisions for the following employee benefits at 31 December 2010:

In thousands of Euro	**2010**	2009
Provision for anniversary bonuses	**7,491**	6,825
Provision for old age part time (early retirement)	**1,404**	4,330
Pension liabilities	**108**	0
Total employee benefits	**9,003**	11,155

The provisions for anniversary bonuses and old age part time (early retirement) are described in note 15.

Defined benefit plans

In 2007, the Company entered into a defined benefit pension plan for its Executive Directors. In addition the Group has a defined benefit pension plan for certain employees of dba. Both pension plans are funded through payments to qualified insurance contracts.

The development of the Group's defined benefit obligations during the period is as follows:

In thousands of Euro	**2010**	2009
Present value of funded obligations	**14,378**	11,594
Fair value of plan assets	**(16,591)**	(13,562)
Funded status	**(2,213)**	(1,968)
Amount not recognised due to limitation in IAS 19.58(b)	**2,321**	1,968
Pension liabilities	**108**	0

Changes in the present value of the defined benefit obligation are as follows:

In thousands of Euro	**2010**	2009
Defined benefit obligation at 1 January	**11,594**	8,306
Current service cost	**344**	1,426
Benefits paid	**(152)**	(111)
Interest on obligation	**618**	520
Actuarial losses	**1,974**	1,453
Defined benefit obligation at 31 December	**14,378**	11,594

Changes in the fair value of plan assets are as follows:

In thousands of Euro	**2010**	2009
Fair value of plan assets at 1 January	**13,562**	10,279
Contribution	**3,496**	3,909
Benefits paid	**(152)**	(111)
Expected return on plan assets	**684**	431
Actuarial losses	**(999)**	(946)
Fair value of plan assets at 31 December	**16,591**	13,562

Plan assets consist exclusively of external contracts with insurance companies in Germany. These insurances could potentially include shares in Air Berlin Plc. However, due to strict requirements in Germany regarding the structure of insurance companies, the percentage of airberlin shares held would be minimal.

The actual loss on plan assets was € 315 during the period (2009: € 515). No experience adjustments were made during the period.

The amount recognised as pension expense in profit or loss is as follows:

In thousands of Euro	**2010**	2009
Current service cost	**344**	1,426
Interest on obligation	**618**	520
Expected return on plan assets	**(684)**	(431)
Net actuarial losses recognised in the period	**2,973**	2,399
Effect of the limitation in IAS 19.58(b)	**829**	(5)
Pension expense	**4,080**	3,909

The Group expects to contribute € 2,382 to its defined benefit pension plans in 2011.

Principal actuarial assumptions at the reporting date are as follows:

	2010	2009
Discount rate at 31 December	**4.65%**	5.39%
Expected return on plan assets at 1 January	**4.00–4.30%**	4.00–4.30%
Future salary increases	**0.00-2.00%**	0.00-2.00%
Cost of living adjustment (future pension increases)	**1.00%**	1.00%

Assumptions regarding future mortality are based on published statistics and mortality tables ("Richttafeln 2005 G" published by Heubeck-Richttafeln-GmbH). The average remaining life expectancy of an individual retiring at age 65 is 20 years for males and 25 years for females.

Defined contribution plans

Through the acquisition of dba in 2006, the Group acquired a defined contribution pension plan covering all employees of dba, to which the Group makes contributions. Furthermore in 2010 Air Berlin PLC & Co. Luftverkehrs KG contracted a defined contribution plan with its pilots. The net pension expense recorded in profit and loss in 2010 as a result of the defined contribution plans is € 1,670 (2009: € 5).

As employees in Germany are covered by and required to contribute to the German social security system, airberlin does not have any other employee benefit plans at the end of the period. The Group paid contributions into the German social security system of € 27,709 in 2010 (€ 26,687 in 2009).

15. PROVISIONS

In thousands of Euro	Balance at 1.1.2010	Additions	Utilisation	Release	Compensation	Balance at 31.12.2010
Provision for airport fees	5,381	0	0	(5,381)	0	0
Provision for anniversary bonuses	6,825	989	(323)	0	0	7,491
Provision for old age part time	4,330	1,274	(715)	0	(3,485)	1,404
Provision for redundancy costs	4,938	2,369	(4,938)	0	0	2,369
Provision for pensions	0	108	0	0	0	108
	21,474	4,740	(5,976)	(5,381)	(3,485)	11,372

Thereof € 8,090 relating to the provision for pensions, anniversary bonuses and old age part time was classified as non-current as at 31 December 2010 (2009: € 10,298).

Older employees (age 55 and above) have the opportunity to take part in an old age part time ("Altersteilzeit") program. The program is a form of early retirement in which the employee works full time during the first few years and not at all in the following years until reaching the official age of retirement. 69 (2009: 69) employees have signed such agreements as of the end of the period. A discount rate of 3.5% (2009: 4.9%) and an expected salary increase of 2.0% (2009: 2.0%) were used to calculate the provision. Uncertainties exist as to the life expectancy of the employees and as to the future salary at the time the contract takes effect. The provision was compensated by security funds of € 3,485.

The provision for anniversary bonuses was calculated using a discount rate of 4.8% (2009: 5.6%) and an expected yearly salary increase of 2.0% (2009: 2.0%). Uncertainties exist in the probability that the employees will remain with the Group until they are entitled to receive their anniversary bonus and as to their salaries at that time. The provision was accounted for in accordance with IAS 19.

The provision for redundancy costs is related to the layoff of staff in connection with the concentration of the business in Berlin. Uncertainties exist relating to the amount and probability of payments. The provision is based on past experiences.

16. INTEREST-BEARING LIABILITIES AND LIABILITIES DUE TO BANKS FROM ASSIGNMENT OF FUTURE LEASE PAYMENTS

This note provides information about the terms and conditions of the Group's interest-bearing loans and borrowings, all of which are measured at amortised cost. More information about the Group's exposure to interest rate, foreign currency and liquidity risk is provided in note 30.

Interest-bearing liabilities

The Group has entered into various interest-bearing liabilities. The carrying amounts for the years 2010 and 2009, classified according to their maturity dates and borrowing rates, are as follows:

In thousands of Euro	Secured / unsecured	Currency	Maturity date	Carrying amount 31.12.2010	Carrying amount 31.12.2009
Bank loans, variable rate	Secured	EUR	2022	23,976	0
Bank loans, variable rate	Secured	USD	2018-2020	93,145	0
Bank loans, fixed rate	Secured	EUR	2021	27,195	0
Bank loans, fixed rate	Secured	USD	2017-2020	33,670	0
Corporate bonds	Unsecured	EUR	2015	195,033	0
Convertible bonds – liability component, fixed rate (issued in 2007)	Unsecured	EUR	2012*	129,518	123,592
Convertible bonds – liability component, fixed rate (issued in 2009)	Unsecured	EUR	2014	9,958	72,497
Finance lease liabilities	Unsecured	USD	2011–2018	40,110	41,134
Finance lease liabilities	Unsecured	EUR	2011–2022	45,013	48,489
Bank overdrafts	Unsecured			1,420	1,223
				599,038	286,935

* first option to redeem the bonds

Of this amount € 33,140 (2009: € 13,580) is classified within current liabilities in the statement of financial position.

The finance lease liabilities are detailed in note 17 below. The bank overdrafts are due in the following year respectively.

Payments for the above-mentioned interest-bearing liabilities are due as follows:

In thousands of Euro	**2010**	2009
Less than one year	**33,140**	13,580
Between one and five years	**432,845**	230,633
More than five years	**133,053**	42,722
	599,038	286,935

Corporate bonds
On 10 November 2010 the Group issued € 200,000 corporate bonds due 2015. The bond issue is made up of 200,000 bonds with a principal amount of € 1 each, earning yearly interest of 8.5%. Gross proceeds from the bond issue amounted to € 200,000. Transaction costs incurred were € 7,534. The bonds are measured at amortized cost on 31 December 2010.

Convertible bonds I
On 11 April 2007 the Group issued € 220,000 convertible bonds due 2027. The bond issue is made up of 2,200 bonds with a principal amount of € 100 each, earning yearly interest of 1.5%. The initial conversion price is € 22.47 which results in an initial conversion ratio of 4,450 ordinary shares per bond. Gross proceeds from the bond issue amounted to € 220,000. Transaction costs incurred were € 6,391.
The convertible bond was split into its equity and debt components in accordance with IAS 32. The equity component, less transaction costs net of tax, is shown as a separate line item in equity.
In the second half of 2009 the Group redeemed 840 convertible bonds with a principle amount of € 84,000 in total. Payments related to the redemption amount to € 53,405. The profit from the redemption equals € 21,273 and is presented as part of the financial income in the statement of comprehensive income. The equity component of the redeemed convertible bonds of € 10,758 less transaction costs net of tax of (€ 317) was transferred to the retained earnings within equity.
The equity component, which is shown net of taxes of € 7,838 in the statement of financial position, totalled € 16,904 as at 31 December 2010 (2009: € 16,904).
The bonds are convertible into 4,450 ordinary shares per bond at the option of the bondholder at any time beginning 40 days following closing and ending 14 days before maturity (21 May 2007 to 25 March 2027). In addition, the bondholder has the option to require the Company to repurchase the bonds at principal amount plus accrued interest on 11 April 2012, 11 April 2017, and 11 April 2022 or upon change in control. The Company has the option to redeem the bonds in whole at their principal amount plus accrued interest at any time as of 30 April 2014, so long as the trading price of the airberlin share exceeds 150% of the conversion price.

Convertible bonds II
On 20 August 2009 the Group issued € 125,000 convertible bonds due in 5 years. The bond issue is made up of 2,500 bonds with a principal amount of € 50 each, earning yearly interest of 9.0%. The initial conversion price is € 4.01 which results in an initial conversion ratio of 12,469 ordinary shares per bond. Proceeds from the bond issue amount to € 125,000. Transaction costs incurred in 2009 were € 6,338.

The convertible bond was split into its equity and debt component in accordance with IAS 32. The equity component, less transaction costs net of tax, is shown as a separate line item within equity.
On 17 November 2010 the Group redeemed 2,189 convertible bonds with a principle amount of € 109,450 in total. Payments related to the redemption amount to € 136,872. The loss from the redemption equals € 66,363, thereof € 42,193 is presented as part of the financial expenses in the statement of comprehensive income and € 24,170 is presented in retained earnings within equity. The equity component of the redeemed convertible bonds less transaction costs was transferred to retained earnings within equity. The equity component, which is shown net of taxes of € 1,946 in the statement of financial position, totalled € 4,316 as at 31 December 2010 (2009: € 34,694).
The bonds are convertible into 12,469 ordinary shares per bond at the option of the bondholder at any time beginning 17 November 2009 and ending 10 days before maturity (inclusive) or in case of early redemption ending 10 days before the determined redemption date (inclusive). In addition, the bondholder has the option to require the Company to repurchase the bonds at principal amount plus accrued interest on 30 October 2011 or upon change in control. The Company has the option to redeem the bonds in whole at their principal amount plus accrued interest at any time as of 30 October 2011, so long as the trading price of the airberlin share exceeds 150% of the conversion price.

Liabilities due to banks from assignment of future lease payments

The Group entered into financing agreements with commercial banks by which the Group assigned intra-group lease payments to the banks.

The carrying amounts for the years 2010 and 2009, classified according to their maturity dates and borrowing rates, are as follows:

In thousands of Euro	Secured / unsecured	Currency	Maturity date	Carrying amount 31.12.2010	Carrying amount 31.12.2009
Interest rate					
Variable rate	Secured	EUR	2011–2013	47,583	62,453
Variable rate	Secured	USD	2011–2022	253,720	532,548
Fixed rate	Secured	USD	n/a	0	65,385
				301,303	660,386

Of this amount € 56,533 (2009: € 77,228) is classified within current liabilities in the statement of financial position. The assigned intra-group lease payments are secured over aircraft.

Payments for the above-mentioned liabilities due to banks from assignment of future lease payments are due as follows:

In thousands of Euro	**2010**	2009
Less than one year	**56,533**	77,228
Between one and five years	**117,765**	299,174
More than five years	**127,005**	283,984
	301,303	660,386

17. LEASING

Operating leases

The Group leases various aircraft, engines, some warehouse and office facilities and other assets under leasing agreements which qualify as operating lease agreements. The leases typically run for a period of up to twelve years and terminate automatically upon expiry of the lease term. The leases expire between 2011 and 2022, with an option to renew the leases after these dates. No restrictions have been placed on the lessee as a result of these leases.

Non-cancellable operating lease rentals are payable as follows:

In thousands of Euro	**2010**	2009
Less than one year	**423,605**	341,012
Between one and five years	**1,113,630**	868,604
More than five years	**611,481**	399,359
	2,148,716	1,608,975

No contingent leasing payments were recognised as lease payments in the period.
During the year ended 31 December 2010, € 464,588 (2009: € 381,836) was recognised as an expense in the statement of comprehensive income in respect of operating leases.
The Group also leases assets as lessor under agreements which qualify as operating leases. The contracts expire between 2011 and 2014.

Future minimum lease payments are receivable as follows:

In thousands of Euro	**2010**	2009
Less than one year	**8,436**	19,929
Between one and five years	**5,662**	73,129
More than five years	**0**	67,626
	14,098	160,684

Finance leases

The Group leases certain technical equipment under an agreement which qualifies as a finance lease. The finance lease relates to technical equipment for aircraft leased under operating leases with various leasing terms, the latest of which phase out in 2015.
The Group also leases two aircraft under agreements which qualify as finance leases. The lease agreements are for terms of eleven years, the latest of which expires in 2018. The agreements contain various put and call options relating to the right of the lessee to purchase the aircraft or the right of the lessor to require the lessee to purchase the aircraft on certain dates at prices and conditions set out in the agreements. In addition, the lessor has the right to require the lessee to name a purchaser at the end of the lease term for a fixed price (guaranteed residual value). Lease payments are in USD and vary based on changes in the interest rate component of the lease. The present value of future minimum lease payments was therefore determined by using the expected lease payments based on the preliminary interest rate stated in the lease.
In addition the Group leases two airport buildings under agreements which qualify as finance leases. The leases expire in 2011 and 2022.
The net book value of assets capitalised at 31 December 2010 as a result of finance leases is detailed in note 7 above.
No contingent leasing payments were recorded in profit and loss in 2010 (2009: € 0).

Future minimum lease payments are as follows:

In thousands of Euro	At 31 December 2010 Future minimum lease payments	At 31 December 2010 Discounted to present value	At 31 December 2009 Future minimum lease payments	At 31 December 2009 Discounted to present value
Less than one year	13,577	13,049	13,107	12,599
Between one and five years	37,961	31,722	40,987	34,302
More than five years	66,217	40,352	72,527	42,722
	117,755	85,123	126,621	89,623

18. TRADE AND OTHER PAYABLES, CURRENT AND NON-CURRENT

In thousands of Euro	Current 2010	Non-current 2010	**Total 2010**	Current 2009	Non-current 2009	Total 2009
Trade payables	110,505	0	**110,505**	95,233	0	95,233
Put-option liability	0	43,538	**43,538**	0	0	0
Other financial liabilities	1,928	0	**1,928**	205	0	205
Trade payables and other financial liabilities	112,433	43,538	**155,971**	95,438	0	95,438
Accrued liabilities	270,303	29,723	**300,026**	208,391	36,401	244,792
Receivables with credit balances	1,211	0	**1,211**	5,259	0	5,259
Payroll tax	6,071	0	**6,071**	5,692	0	5,692
VAT	870	0	**870**	17,938	0	17,938
Social insurance contributions	1,668	0	**1,668**	699	0	699
Other non-financial liabilities	2,079	0	**2,079**	1,509	0	1,509
	394,635	73,261	**467,896**	334,926	36,401	371,327

Accrued liabilities include expenses for services provided and goods received before the end of the period but not yet invoiced, credit notes and commissions to travel agencies in connection with the sale of tickets, accrued vacation and payroll and accruals for aircraft and engine maintenance checks and overhauls.
Information about the Group's exposure to foreign currency and liquidity risk related to trade payables and other financial liabilities is provided in note 30.

19. ADVANCED PAYMENTS RECEIVED

Advanced payments primarily relate to payments received in advance for single-seat ticket sales for which the scheduled flight is to be provided in the following financial period and for which no revenue has been recorded.

20. REVENUE

In thousands of Euro	**2010**	2009
Single-seat ticket sales	**2,245,948**	1,845,382
Bulk ticket sales to charter and package tour operators	**1,161,568**	1,121,111
Duty-free /in-flight sales	**38,204**	33,083
Ground and other services	**277,858**	240,768
	3,723,578	3,240,344

Ground and other services primarily include freight, technical services and ancillary sales.

Segment information

The company is managed by the Board of Directors as a single business unit in one geographical area and one service. The key figures and ratios presented to the Board of Directors in managing the company are: Result from operating activities, net debt, revenues, passengers, yield and block hours. The financial measures are IFRS measures and are shown in the primary statements. Resource allocation decisions are made based on the entire route network and the deployment of the entire fleet. Revenues derive nearly completely from the principal activity as an airline and include flights, commissions, in-flight and related sales that are generated in Europe. Since airberlin's aircraft fleet is employed across its scheduled destinations on an as needed basis all assets and liabilities are allocated to the one segment. The Board has also determined that there is no reasonable basis of allocating assets and related liabilities, income and expenses to geographical areas other than Europe or to individual groups of customers.

21. OTHER OPERATING INCOME

In thousands of Euro	**2010**	2009
Gain on disposal of long-term assets, net	**24,857**	11,922
Gain from step-up to fair value of previous interest in NIKI	**17,002**	0
Income from subleases	**2,468**	1,451
Income from insurance claims	**1,104**	1,243
Release of liabilities	**0**	5,879
Other	**8,344**	16,184
	53,775	36,679

22. EXPENSES FOR MATERIALS AND SERVICES

In thousands of Euro	**2010**	2009
Fuel for aircraft	**787,449**	715,352
Catering costs and cost of materials for in-flight sales	**131,344**	108,284
Airport & handling charges	**837,510**	697,098
Operating leases for aircraft and equipment	**535,028**	366,032
Navigation charges	**275,166**	219,745
Other	**111,018**	86,662
	2,677,515	2,193,173

The expenses for operating leases for aircraft and equipment include expenses of € 124,101 (2009: 45,289) that do not directly relate to the lease of assets.

23. PERSONNEL EXPENSES AND STAFF NUMBERS

The aggregate payroll costs were as follows:

In thousands of Euro	**2010**	2009
Wages and salaries	**392,627**	370,081
Pension expense	**33,459**	30,601
Social security	**45,685**	40,040
	471,771	440,722

Pension expense relates to the defined benefit plan for the Executive Directors and senior management of € 3,177 (2009: € 3,364) and the dba pension plan of € 903 (2009: € 545), contributions paid to defined contribution plans of € 1,670 (2009: € 5) and to social security systems of € 27,709 (2009: € 26,687) during the period. Further details regarding the pension plans are found in note 14 above.

Remuneration of the Executive Directors is as follows:

In thousands of Euro	**2010**	2009
Basic remuneration	**2,018**	2,027
Bonus	**425**	1,164
Share based payment expense	**0**	(60)
Other	**53**	67
	2,496	3,198

The highest paid Director received € 1,205 in total remuneration in 2010 (2009: € 1,621). Directors' Remuneration is detailed in the Directors' Remuneration Report on pages 90 to 99.

The average number of persons employed by the Group (including Directors) during the year and the number of employees at year-end, analysed by category and on a full-time basis, were as follows:

Employees	**On annual average 2010**	On annual average 2009	**At 31 December 2010**	At 31 December 2009
Flight and cabin crew	**4,707**	4,553	**4,731**	4,489
Sales, operations and administration	**4,015**	3,670	**4,169**	3,789
	8,722	8,223	**8,900**	8,278

24. OTHER OPERATING EXPENSES

In thousands of Euro	2010	2009
Sales commissions paid to agencies	**23,038**	18,319
Repairs and maintenance of technical equipment	**195,640**	187,313
Advertising	**62,213**	53,548
Insurance	**19,433**	19,815
Hardware and software expenses	**60,835**	53,057
Bank charges	**24,977**	25,498
Travel expenses for cabin crews	**31,304**	27,991
Expenses for premises and vehicles	**34,549**	30,203
Training and other personnel expenses	**12,755**	11,969
Phone and postage	**5,457**	4,845
Allowances for receivables	**2,161**	2,467
Consulting fees	**15,732**	22,497
Remuneration of the auditor	**1,966**	3,055
Other	**54,587**	44,940
	544,647	505,517

Remuneration of the auditor is as follows:

In thousands of Euro	2010	2009
Audit of the annual accounts	**118**	110
Audit of accounts of subsidiaries of the Company	**971**	1,152
Other services pursuant to legislation	**34**	284
Taxation services	**149**	164
Other services	**694**	1,345
	1,966	3,055

25. NET FINANCING COSTS

In thousands of Euro	2010	2009
Interest expense on interest-bearing liabilities	**(67,391)**	(60,222)
Expense on valuation of liability from put-option at fair value	**(3,038)**	0
Expense on redemption of convertible bonds	**(42,193)**	0
Other financial expenses	**(2,803)**	(2,366)
Financial expenses	**(115,425)**	(62,588)
Interest income on fixed deposits	**1,107**	1,380
Interest income on loans and receivables	**150**	40
Other financial income	**5,549**	1,861
Income on redemption of convertible bonds	**0**	21,273
Financial income	**6,806**	24,554
Losses on foreign exchange and derivatives, net	**(24,720)**	(12,938)
Net financing costs	**(133,339)**	(50,972)

As described in note 4n above, exchange rate differences not arising from interest-bearing liabilities and other financing activities are reclassified to the relevant line items within operating expenses.

Total net foreign exchange losses are reconciled to foreign exchange gains or (losses) in profit or loss as follows:

In thousands of Euro	**2010**	2009
Total net foreign exchange gains recognised in profit or loss	**55,721**	37,776
Thereof reclassified to operating expenses	**(61,925)**	(50,714)
Thereof reclassified to operating income	**(7,859)**	0
Foreign exchange losses in financial result	**(14,063)**	(12,938)

26. SHARE OF PROFIT OF ASSOCIATES

In thousands of Euro	**2010**	2009
Niki Luftfahrt GmbH*	**137**	1,686
Lee & Lex Flugzeugvermietung GmbH	**1,110**	(126)
E190 Flugzeugvermietung GmbH	**(17)**	0
IBERO Tours GmbH**	**0**	51
Follow Me Entertainment GmbH	**0**	0
Binoli GmbH	**54**	(586)
THBG BBI GmbH	**(227)**	(217)
	1,057	808

* Since 5 July 2010 the company is fully consolidated (see note 5)

** In connection with the concentration on core business, disposal in the second quarter of 2010

27. INCOME TAX EXPENSES AND DEFERRED TAXES

Loss before tax is primarily attributable to Germany and Austria.

Income tax benefit is as follows:

In thousands of Euro	**2010**	2009
Current income tax expense	**(11,049)**	(5,606)
Deferred income tax benefit	**55,513**	17,835
Total income tax benefit	**44,464**	12,229

The current income tax expense of the airberlin group includes corporate tax, a solidarity charge in addition to corporate tax, trade tax and foreign income taxes. The current income tax expense of € 11,049 (2009: € 5,606) includes € 127 of prior year income tax expenses (2009: € 380).

The tax rate for the airberlin group equals 30.18% (2009: 30.18%). It consists of corporate tax rate and solidarity charge of 15.83% and trade tax of 14.35%. The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates.

As a result of variations in the tax rate in different jurisdictions, several subsidiaries have tax rates which differ from the airberlin group tax rate. The difference to the Group tax rate is shown as “effect of tax rates in different jurisdictions” in the tax rate reconciliation in amount of € 4,261 (2009: € 7,635).

The reasons for the differences between the tax benefit expected on the basis of loss for the period and the recognised income tax benefits are as follows:

In thousands of Euro	2010	2009
Loss before tax	**(141,623)**	(21,697)
Expected income tax benefit at 30.18% (2009: 30.18%)	**42,742**	6,548
Effect of tax rates in different jurisdictions	**4,261**	7,635
Movement in deferred tax assets on tax loss carry forwards	**(11,069)**	6,701
Not recognised loss carry forwards due to changes in group structure	**(7,945)**	0
Non-tax deductible expenses and tax deductible goodwill amortisation	**5,063**	(8,105)
Deferred tax benefit due to prior years	**2,449**	0
Current tax expenses previous years	**(127)**	(380)
Effects of redemption of convertible bonds	**7,542**	0
Other	**1,548**	(170)
Total income tax benefit	**44,464**	12,229

As of 31 December 2010, total tax loss carry forwards for which deferred tax assets were recognised amounted to € 362,023 for trade tax purposes and € 313,264 for corporate tax purposes (2009: € 312,399 and € 261,347 respectively). As of 31 December 2010, no additional deferred tax assets were capitalised for further loss carry forwards of € 188,676 for trade tax € 195,596 for corporate tax (2009: € 595,330 and € 845,663). Loss carry forwards of € 489,418 for trade tax and € 819,255 for corporate tax (2009: € 0) will get lost due to corporate restructuring. For the major part of these loss carry forwards no deferred tax asset has been accounted for. The tax loss carry forwards are not subject to expiration.

Deferred tax assets and liabilities are attributable to the following assets and liabilities:

In thousands of Euro	**2010**	2009
Deferred tax assets:		
Finance lease liabilities and deferred income	**18,996**	21,860
Foreign currency receivables and derivatives	**7,396**	18,058
Tax loss carry forward	**98,575**	79,617
	124,967	119,535
Deferred tax liabilities:		
Aircraft and engines and related liabilities	**(42,219)**	(67,367)
Land and buildings	**(5,739)**	(6,694)
Intangible assets	**(31,684)**	(28,472)
Technical equipment	**(115)**	(387)
Leasehold improvements	**(83)**	(83)
Accrued liabilities and provisions	**(3,513)**	(86)
Convertible bonds, Corporate bond	**(6,309)**	(20,410)
Foreign currency liabilities and derivatives	**(10,755)**	(363)
	(100,417)	(123,862)
Offsetting	**124,967**	119,535
Deferred tax assets (liabilities), net	**24,550**	(4,327)
Deferred tax (liabilities) assets, net beginning of period	**(4,327)**	54,555
Change in deferred tax position	**28,877**	(58,882)
Thereof related to purchase price allocation NIKI	**20,060**	0
Thereof related to cash flow hedges and items recorded in equity	**6,576**	76,717
Deferred income tax benefit	**55,513**	17,835

The deferred tax asset on tax loss carry forwards takes into consideration the expected future tax benefits.

The presentation in the statement of financial position is as follows:

In thousands of Euro	**2010**	2009
Deferred tax asset	**51,283**	0
Deferred tax liabilities	**(26,733)**	(4,327)
	24,550	(4,327)

Offsetting is not possible, because the asset and liabilities are subject to different jurisdictions. The liabilities relate to Austria.

Income tax recognised in equity

In thousands of Euro	2010 Before tax	2010 Tax benefit	2010 Net of Tax	2009 Before tax	2009 Tax (expense) benefit	2009 Net of Tax
Transaction costs on issuance of new shares	(565)	169	(396)	(4,470)	1,340	(3,130)
Refund of transaction costs on issuance of new shares	0	0	0	4,184	(1,606)	2,578
Convertible bond and related transaction costs	0	0	0	49,549	(14,855)	34,694
	(565)	169	(396)	49,263	(15,121)	34,142

Income tax recognised in the statement of other comprehensive income

In thousands of Euro	2010 Before tax	2010 Tax expense	2010 Net of Tax	2009 Before tax	2009 Tax expense	2009 Net of Tax
Foreign currency translation differences for foreign operations	1,070	0	1,070	(169)	0	(169)
Fair value of hedging instruments	22,675	(6,730)	15,945	204,115	(61,604)	142,511
	23,745	(6,730)	17,015	203,946	(61,604)	142,342

28. CASH FLOW STATEMENT

The cash flow statement of the airberlin group is presented according to the indirect method. Cash and cash equivalents include cash, bank balances and fixed-term deposits with banks with a maturity of less than three months.

In thousands of Euro	**2010**	2009
Cash	**390**	650
Bank balances	**95,116**	84,204
Fixed-term deposits	**315,587**	288,379
Cash and cash equivalents	**411,093**	373,233
Bank overdrafts used for cash management purposes	**(1,420)**	(1,223)
Cash and cash equivalents in the statement of cash flows	**409,673**	372,010

Cash and cash equivalents include restricted cash of € 90,951 as of 31 December 2010 (31 December 2009: € 80,749).

29. DERIVATIVES

Positive and negative market values of derivatives are as follows:

In thousands of Euro	Current 2010	Non-current 2010	**Total 2010**	Current 2009	Non-current 2009	Total 2009
Positive market values of derivatives classified as held for trading:						
Forward contracts	3,830	398	**4,228**	954	0	954
Foreign currency options	466	996	**1,462**	525	0	525
Commodity options	2,150	0	**2,150**	269	0	269
Cross-currency interest rate swaps	2,179	2,501	**4,680**	0	14	14
Total positive market values of derivatives classified as held for trading	8,625	3,895	**12,520**	1,748	14	1,762
Positive market values of derivatives classified as hedge accounting:						
Forward contracts	7,639	2,553	**10,192**	9,450	0	9,450
Foreign currency options	5,895	0	**5,895**	2,493	0	2,493
Commodity swaps	21,661	0	**21,661**	7,513	0	7,513
Commodity options	9,842	0	**9,842**	2,517	0	2,517
Total positive market values of derivatives classified as hedge accounting	45,037	2,553	**47,590**	21,973	0	21,973
Total positive market values of derivatives	53,662	6,448	**60,110**	23,721	14	23,735
Negative market values of derivatives classified as held for trading:						
Forward contracts	3,724	230	**3,954**	851	0	851
Cross-currency interest rate swaps	1,820	24,628	**26,448**	6,587	66,430	73,017
Total negative market values of derivatives classified as held for trading	5,544	24,858	**30,402**	7,438	66,430	73,868
Negative market values of derivatives classified as hedge accounting:						
Forward contracts	14,366	1,055	**15,421**	4,484	0	4,484
Foreign currency options	5,256	0	**5,256**	731	0	731
Commodity swaps	0	0	**0**	104	0	104
Cross-currency interest rate swaps	0	0	**0**	0	4,423	4,423
Total negative market values of derivatives classified as hedge accounting	19,622	1,055	**20,677**	5,319	4,423	9,742
Total negative market values of derivatives	25,166	25,913	**51,079**	12,757	70,853	83,610

Hedge accounting is discussed in note 30g below.

30. FINANCIAL RISK MANAGEMENT

a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit at the reporting date was:

In thousands of Euro	Note	**Carrying amount 2010**	Carrying amount 2009
Loans and receivables	10	**252,652**	264,799
Positive market values of derivatives classified as held for trading	29	**12,520**	1,762
Positive market values of derivatives classified as hedge accounting	29	**47,590**	21,973
Cash and cash equivalents	28	**411,093**	373,233
		723,855	661,767

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

In thousands of Euro	**2010**	2009
Receivables from single-seat ticket sales	**4,287**	9,669
Receivables from charter sales	**11,736**	12,308
Receivables from credit card companies	**19,521**	21,860
Receivables from IATA clearing house (“BSP” travel agencies)	**19,729**	15,688
Other trade receivables	**41,145**	35,855
	96,418	95,380

Other trade receivables relate primarily to receivables from other airlines for technical services (2010: € 6,288, 2009: € 8,794) and to receivables from cargo services (2010: € 16,612, 2009: € 14,305).

b) Impairment losses

-- TRADE RECEIVABLES

The aging of trade receivables at the reporting date was:

In thousands of Euro	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	66,701	2	72,547	948
Past due 1–30 days	11,968	0	5,224	2,056
Past due 31–120 days	10,269	479	13,821	1,057
Past due 121–365 days	6,528	2,118	8,097	1,091
More than one year past due	12,304	8,753	7,694	6,851
	107,770	11,352	107,383	12,003

Trade receivables are analysed for a possible impairment loss according to historical data on impairment losses as discussed below. Receivables which are neither past due nor impaired are generally considered to contain only a small risk of impairment based on past experience. The consideration is the same for receivables that are 1–30 days overdue.

The movement in the impairment allowance is as follows:

In thousands of Euro	Allowance for impairment losses **2010**	Allowance for impairment losses 2009
Balance at 1 January	**12,003**	5,044
Increase in allowance for impairment losses	**1,510**	9,426
Release of allowance for impairment losses	**(2,161)**	(2,467)
Balance at 31 December	**11,352**	12,003

The allowance for impairment losses is used to record impairment losses until the Group determines that the financial asset should be derecognised.
The allowance for impairment losses is based on estimates and judgements regarding the credit worthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses. A companywide credit control process is implemented. Once the third notice is issued along with a court order, and an allowance for impairment losses of 60% is recorded on the receivable. This percentage represents the probability of impairment loss based on past experience. At the balance sheet date the allowance for impairment losses is € 11,352 (2009: € 12,003).

-- OTHER LOANS AND RECEIVABLES
None of the other loans and receivables were past due as of 31 December 2010 (2009: none), and there were no renegotiations of payment terms during the period which would otherwise have resulted in overdue receivables. No impairment losses have been recorded on other financial assets (2009: € 2,000).
These receivables relate primarily to amounts due from suppliers (deposits, bonus and claims). The Group only enters into contracts with suppliers of high quality and as such does not consider there to be a significant impairment risk relating to these amounts.
Receivables from related parties relate primarily to loans receivable and clearing accounts from Lee & Lex Flugzeugvermietung GmbH and clearing accounts from E190 Flugzeugvermietung GmbH. As the receivables are not overdue and payments have been made on time in the past, the Group does not consider an impairment loss to be necessary.

-- CASH AND CASH EQUIVALENTS AND POSITIVE MARKET VALUES OF DERIVATIVES
No impairment has been recorded on bank balances or positive market values of derivatives, as the transactions are only made with parties of the highest credit rating or, in the case of derivative financial instruments, with parties that are known to be reliable based on past experience (past customer behaviour regarding timely payments of amounts due). The Group considers its net position in determining its impairment risk on bank balances and positive market values of derivatives.

c) Liquidity risk

The following are the contractual undiscounted maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2010:

In thousands of Euro	Carrying amount	Contractual cash flows	6 months or less	7–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Liabilities due to bank from assignment of future lease payments	301,303	326,574	24,445	36,932	52,787	78,277	134,133
Secured bank loans	177,986	188,366	9,118	9,774	19,490	58,047	91,937
Finance lease liabilities	85,123	117,506	6,832	6,496	11,453	26,508	66,217
Corporate Bonds	195,033	285,000	8,500	8,500	17,000	251,000	0
Convertible bonds – liability component	139,476	160,879	2,740	700	139,440	17,999	0
Trade payables and other financial liabilities	155,971	112,422	112,422	0	0	0	0
Bank overdraft	1,420	1,420	1,420	0	0	0	0
Total financial liabilities measured at amortised cost	1,056,312	1,192,167	165,477	62,402	240,170	431,831	292,287
Derivative financial liabilities							
Derivatives classified as hedge accounting:							
Forward exchange contracts	15,421	15,834	11,373	3,330	1,131	0	0
Outflow		388,084	243,000	132,727	12,357	0	0
Inflow		(372,250)	(231,627)	(129,397)	(11,226)	0	0
Foreign currency options	5,256	7,338	6,531	807	0	0	0
Outflow		119,597	96,338	23,259	0	0	0
Inflow		(112,259)	(89,807)	(22,452)	0	0	0
Derivatives classified as held for trading:							
Cross-currency interest rate swaps	26,448	29,326	5,320	5,743	9,807	8,456	0
Outflow		287,890	20,400	51,006	79,113	137,371	0
Inflow		(258,564)	(15,080)	(45,263)	(69,306)	(128,915)	0
Forward exchange contracts	3,954	4,034	3,838	0	196	0	0
Outflow		52,820	45,336	0	7,484	0	0
Inflow		(48,786)	(41,498)	0	(7,288)	0	0
	1,107,391	1,248,699	192,539	72,282	251,304	440,287	292,287

For 31 December 2009, the maturities were as follows:

In thousands of Euro	Carrying amount	Contractual cash flows	6 months or less	7–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Liabilities due to bank from assignment of future lease payments	660,386	728,098	45,705	45,397	103,819	233,090	300,087
Finance lease liabilities	89,623	126,621	6,554	6,554	12,820	28,166	72,527
Convertible bonds – liability component	196,089	320,558	7,665	5,625	13,290	293,978	0
Trade payables and other financial liabilities	95,438	95,438	95,438	0	0	0	0
Bank overdraft	1,223	1,223	1,223	0	0	0	0
Total financial liabilities measured at amortised cost	1,042,759	1,271,938	156,585	57,576	129,929	555,234	372,614
Derivative financial liabilities							
Derivatives classified as hedge accounting:							
Cross-currency interest rate swaps	4,423	4,531	632	632	1,265	2,002	0
Outflow		17,140	2,392	2,391	4,784	7,573	0
Inflow		(12,609)	(1,760)	(1,759)	(3,519)	(5,571)	0
Forward exchange contracts	4,484	4,735	4,735	0	0	0	0
Outflow		251,234	251,234	0	0	0	0
Inflow		(246,499)	(246,499)	0	0	0	0
Foreign currency options	731	2,645	2,645	0	0	0	0
Outflow		85,944	85,944	0	0	0	0
Inflow		(83,299)	(83,299)	0	0	0	0
Commodity swaps	104	104	104	0	0	0	0
Outflow		104	104	0	0	0	0
Inflow		0	0	0	0	0	0
Derivatives classified as held for trading:							
Cross-currency interest rate swaps	73,017	77,186	15,142	12,060	21,281	29,028	(325)
Outflow		622,677	74,716	70,495	135,182	313,807	28,477
Inflow		(545,491)	(59,574)	(58,435)	(113,901)	(284,779)	(28,802)
Forward exchange contracts	851	668	508	160	0	0	0
Outflow		44,278	38,724	5,554	0	0	0
Inflow		(43,610)	(38,216)	(5,394)	0	0	0
	1,126,369	1,361,807	180,351	70,428	152,475	586,264	372,289

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, including future interest payments. Amounts in USD are translated at the relevant year-end exchange rate, and variable interest payments are calculated using the year-end basis rates.
The Group intends to meet its obligations primarily through cash balances held and cash inflows from operations and in the case of purchases of new aircraft (not included above) through future borrowings which are already in place for aircraft deliveries in 2011 and early 2012.

d) Currency risk

The Group has significant transactions in USD as well as smaller transactions in GBP and CHF. airberlin enters into USD currency forwards and options in order to manage functional currency risk which arises on operating costs (e.g. payments regarding aircraft financing and leasing, fuel, maintenance etc.) denominated in USD. airberlin generally hedges up to 75% (2009: 75%) of the expected cash flow on a 6–18 month (2009: 6–18 month) revolving basis.

The Group's exposure to foreign currency risk was as follows based on the currency values at end of year:

	31 December 2010			31 December 2009		
In thousands of currency units	USD	GBP	CHF	USD	GBP	CHF
Loans and receivables	85,405	1,189	13,776	58,547	4,248	1,907
Cash and cash equivalents	93,570	431	2,804	66,599	526	23,901
Liabilities due to bank from assignment of future lease payments	(339,021)	0	0	(861,382)	0	0
Secured bank loans	(169,448)	0	0	0	0	0
Finance lease liabilities	(53,595)	0	0	(59,258)	0	0
Trade payables and other financial liabilities	(19,727)	(329)	(3,884)	(18,265)	(732)	(2,000)
Bank overdraft	0	0	0	0	0	0
Total exposure of balance positions	(402,816)	1,291	12,696	(813,759)	4,042	23,808
Estimated forecast purchases	(2,004,000)	0	0	(1,834,600)	0	0
Gross exposure	(2,406,816)	1,291	12,696	(2,648,359)	4,042	23,808
Forward exchange contracts (hedged volume in USD)	934,800	0	0	644,850	0	0
Foreign currency options (hedged volume in USD)	376,000	0	0	366,500	0	0
Cross-currency interest rate swaps (hedged volume in USD)	492,738	0	0	780,807	0	0
Net exposure	(603,278)	1,291	12,696	(856,202)	4,042	23,808

The estimated forecast purchases shown above are for a twelve-month period. The volume hedged through forward exchange contracts and forward exchange options is for estimated forecast purchases for up to two years. The volume hedged through cross-currency interest rate swaps is the nominal amount of the interest-bearing liabilities in USD.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Currency units to the Euro	**2010**	2009	**2010**	2009
USD	**1.3257**	1.3948	**1.3362**	1.4406
GBP	**0.8578**	0.8909	**0.8608**	0.8881
CHF	**1.3803**	1.5100	**1.2504**	1.4836

-- SENSITIVITY ANALYSIS

A sensitivity analysis was performed on the year-end balances of foreign currency financial assets and liabilities and the fair values of derivative financial instruments existing at year-end. The assumptions used in the calculation of currency risk were the same as those used in the prior year. Assuming that all other variables, in particular interest rates, remain constant, a 10 per cent strengthening of the Euro against the following currencies at 31 December would have increased / (decreased) equity and profit or loss by the following amounts:

	31 December 2010			31 December 2009		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	648	(11)	103	1,956	(414)	(1,459)
Equity	(77,015)	0	0	(50,699)	0	0

A 10 per cent weakening of the Euro against the above mentioned currencies at 31 December would have increased/(decreased) equity and profit or loss by the following amounts:

	31 December 2010			31 December 2009		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	(878)	13	(96)	(2,584)	506	1,783
Equity	91,080	0	0	64,948	0	0

e) Interest rate risk

The interest rate profile of the Group is as follows:

	Carrying amount	
In thousands of Euro	**2010**	2009
Fixed rate instruments		
Financial assets	**47,649**	3,890
Financial liabilities	**(480,497)**	(351,096)
Cross-currency interest rate swaps	**(21,768)**	(77,426)
	(454,616)	(424,632)
Variable rate instruments		
Financial assets	**0**	1,500
Financial liabilities	**(419,844)**	(595,001)
	(419,844)	(593,501)

The variable rate interest bearing liabilities and liabilities due to banks from aircraft financing and from assignment of future lease payments, which are generally denominated in USD, expose the Group to variability in interest payments due to changes in interest rates as well as to a foreign currency risk. The interest risk results from the sensitivity of financial assets and financial liabilities with variable interest rates to changes in the market interest rate. airberlin uses cross-currency interest rate swaps to hedge these risks. The swaps are considered cash flow hedges from their inception until the liability is recorded in the statement of financial position, at which point the interest rate swaps are classified as held for trading, with future changes in market value taken to profit or loss.

-- FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

The Group does not account for any fixed rate financial instruments at fair value through profit or loss, and the Group does not designate any of its derivatives (interest rate swaps) as fair value hedge accounting instruments. Therefore a change in interest rates (unless they resulted in the hedge becoming ineffective) at the reporting date would only affect profit or loss to the extent that it affects the fair value of interest rate swaps not designated as hedge accounting (held for trading). A change of 100 basis points in interest rates would have increased or decreased equity by € 0 (2009: € 274) and profit or loss by € 7,050 (2009: € 14,313) based on a one year impact.

-- CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

Assuming that all other variables, in particular foreign currency rates, remain constant, a change of 100 basis points in interest rates would have increased or decreased profit or loss (financial result) by € 1,663 (2009: € 1,152) and had no effect on equity over the twelve-month period, based on the balance sheet amounts at the reporting date and taking into consideration the effect of interest rate swaps.

f) Fuel price risk

The fuel price (jet fuel) plays an important role as far as the business performance of the Group is concerned. Fuel expense amounted to 20.2% (2009: 22.0%) of the Group's entire operating expenses. airberlin uses commodity swaps as well as commodity options to hedge the exposure to fuel price increases. At the end of the period 2010, the hedged volume was 543,000 tons for the business year 2011 (2009: 523,500 tons for 2010). The hedging quota was 37.3% for 2011 (in the prior year: 40.3% for 2010).

-- SENSITIVITY ANALYSIS

Assuming that all other variables, in particular foreign currency rates, remain constant, a 10% increase in the fuel price at the reporting date would have increased equity by € 25,365 (2009: € 18,585) and profit or loss by € 3,321 (2009: € 797). A 10% decrease in the fuel price at the reporting date would have decreased equity by € 21,925 (2009: € 17,250) and profit or loss by € 2,735 (2009: € 2,237).

The calculation is based on the fair values of commodity derivatives (swaps and options) at the end of the period. The assumptions used were the same as in the prior period.

g) Hedge accounting

As an airline, the airberlin group is exposed to currency, interest rate and fuel price risks as well as credit and liquidity risks. airberlin uses derivatives to limit these risks.

airberlin applies hedge accounting for its hedges of future foreign currency denominated cash flows and its hedges of future cash flows related to the purchase of jet fuel that satisfy the criteria under IAS 39, thus reducing income statement volatility. IAS 39 sets out strict requirements on the use of hedge accounting. airberlin fulfils those requirements by documenting, at the inception of a hedge, both the relationship between the derivative used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge. This includes assigning the hedging instruments to the corresponding firm commitments and future transactions and also estimating the degree of effectiveness of the hedging instruments employed. The effectiveness of existing hedge accounting is monitored on an ongoing basis. For hedge accounting, the change in the fair value of the hedging instrument is deferred in equity to the extent the hedge is effective. Accumulated fair value changes from qualifying hedges are removed from equity to profit or loss in the period when the hedged cash flow affects profit or loss.

airberlin also uses hedges that do not satisfy the strict hedge accounting criteria of IAS 39. For such derivatives airberlin recognises the changes in fair value in profit or loss. The fair values of derivatives are presented in a separate line in the statement of financial position.

The fair values of derivatives for hedging exchange rate, interest rate and fuel price risks at 31 December 2010 and their movement during the period are as follows:

In thousands of Euro	Fair value at 31 December 2009	Additions through business combinations	Change in fair value recognised in profit or loss	Change in fair value recognised in equity	Removed from equity to profit or loss	Fair value at 31 December 2010
Cash flow hedges:						
Forward contracts	4,966	0	0	30,145	(40,340)	(5,229)
Foreign currency options	1,762	0	(8,489)	20,988	(13,622)	639
Cross-currency interest rate swaps	(4,424)	0	(3,237)	4,424[1]	3,237	0
Commodity swaps (fuel price)	7,409	0	0	18,681	(4,429)	21,661
Commodity options (fuel price)	2,517	0	(690)	9,831	(1,816)	9,842
Held for trading:						
Forward contracts	103	1,082	(911)	0	0	274
Foreign currency options	525	1,316	(379)	0	0	1,462
Cross-currency interest rate swaps	(73,002)	1,546	54,112	(4,424)[1]	0	(21,768)
Commodity options (fuel price)	269	(2,704)	4,585	0	0	2,150
	(59,875)	1,240	44,991	79,645	(56,970)	9,031

[1] Reclassification from cash flow hedges to held for trading in 2010.

The change in fair value of derivatives was as follows in 2009:

In thousands of Euro	Fair value at 31 December 2008	Change in fair value recognised in profit or loss	Change in fair value recognised in equity	Removed from equity to profit or loss	Option premium paid	Fair value at 31 December 2009
Cash flow hedges:						
Forward contracts	31,673	0	12,732	(39,439)	0	4,966
Foreign currency options	5,422	1,232	(370)	(4,522)	0	1,762
Cross-currency interest rate swaps	(7,635)	(1,102)	943	3,370[1]	0	(4,424)
Commodity swaps (fuel price)	(220,283)	0	40,358	187,334	0	7,409
Commodity options (fuel price)	(165)	(1,027)	2,305	1,404	0	2,517
Held for trading:						
Forward contracts	952	(849)	0	0	0	103
Foreign currency options	(688)	1,213	0	0	0	525
Cross-currency interest rate swaps	(57,362)	(12,270)	0	(3,370)[1]	0	(73,002)
Commodity options (fuel price)	(185)	454	0	0	0	269
	(248,271)	(12,349)	55,968	144,777	0	(59,875)

[1] Reclassification from cash flow hedges to held for trading in 2009.

All foreign currency options and commodity options (fuel price) entered into during the period meet the qualifications of hedge accounting and are accounted for as cash flow hedges. The change in the intrinsic value is recorded in equity, and the change in the time value is recorded in profit or loss.

Hedge accounting concerning the cross-currency interest rate swaps are accounted for as cash flow hedges. Those cross-currency interest rate swaps which do not meet the criteria for hedge accounting continue to be recorded in profit or loss and are classified as held for trading.

Cash flow hedges are expected to impact profit or loss in the same period in which the cash flows are expected to occur, as detailed in section c "liquidity risk" above.

h) Fair values

Fair value is the amount obtainable in an arm's length transaction between knowledgeable willing parties. The fair values of financial assets and liabilities, together with their carrying amounts shown in the statement of financial position, are as follows:

		31 December 2010		31 December 2009	
In thousands of Euro	Note	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables:					
Total loans and receivables	10	252,652	252,652	264,799	264,799
Positive market values of derivatives classified as held for trading:					
Forward exchange contracts	29	4,228	4,228	954	954
Foreign currency options	29	1,462	1,462	525	525
Commodity options (fuel price)	29	2,150	2,150	269	269
Cross-currency interest rate swaps	29	4,680	4,680	14	14
Positive market values of derivatives classified as hedge accounting:					
Forward exchange contracts	29	10,192	10,192	9,450	9,450
Foreign currency options	29	5,895	5,895	2,493	2,493
Commodity swaps (fuel price)	29	21,661	21,661	7,513	7,513
Commodity options (fuel price)	29	9,842	9,842	2,517	2,517
Total positive market values of derivatives at fair value through profit and loss		60,110	60,110	23,735	23,735
Cash and cash equivalents	28	411,093	411,093	373,233	373,233
Financial liabilities measured at amortised cost:					
Liabilities due to bank from assignment of future lease payments	16	(301,303)	(288,483)	(660,386)	(654,341)
Secured bank loans	16	(177,986)	(154,899)	0	0
Finance lease liabilities	16	(85,123)	(91,521)	(89,623)	(97,497)
Corporate bonds	16	(195,033)	(211,000)	0	0
Convertible bonds – liability component	16	(139,476)	(139,621)	(196,089)	(219,043)
Trade payables and other financial liabilities	18	(112,433)	(112,433)	(95,438)	(95,438)
Bank overdraft	16	(1,420)	(1,420)	(1,223)	(1,223)
Total financial liabilities measured at amortised cost		(1,012,774)	(999,377)	(1,042,759)	(1,067,542)
Financial liabilities measured at fair value:					
Put Option liability	18	(43,538)	(43,538)	0	0
Negative market values of derivatives classified as hedge accounting:					
Forward exchange contracts	29	(15,421)	(15,421)	(4,484)	(4,484)
Foreign currency options	29	(5,256)	(5,256)	(731)	(731)
Commodity swaps (fuel price)	29	0	0	(104)	(104)
Cross-currency interest rate swaps	29	0	0	(4,423)	(4,423)
Negative market values of derivatives classified as held for trading:					
Forward exchange contracts	29	(3,954)	(3,954)	(851)	(851)
Cross-currency interest rate swaps	29	(26,448)	(26,448)	(73,017)	(73,017)
Total negative market values of derivatives at fair value through profit and loss		(51,079)	(51,079)	(83,610)	(83,610)
		(383,536)	(370,139)	(464,602)	(489,385)

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Derivatives

Forward exchange, interest rate and fuel price derivatives are carried at fair value, by valuation model. The valuation is performed using the quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices). Therefore, all the derivative financial instruments of airberlin relate to the Level 2 of the three level hierarchy as defined in IFRS 7.27A.

Put Option liability

The put option liability is measured at fair value. The measurement of the liability takes into consideration factors that are not based on observable market data. Therefore the derivative financial instrument held by airberlin is classified in its entirety to level 3 according to IFRS 7.27A defined three-level hierarchy.

The changes in level 3 financial instruments are as follows:

In thousands of Euro	**2010**	2009
Balance of the liability at 1 January	**0**	0
Arising from business combination	**40,500**	0
Changes in fair value of the liability	**3,038**	0
Balance of the liability at 31 December	**43,538**	0

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows using current rates.

Trade and other receivables / payables

For receivables/payables with a remaining life of less than one year, the carrying value is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Cash and cash equivalents

Due to the short maturity date, the notional amount is deemed to reflect the fair value.

i) Net gain or loss

The net gains (losses) on financial assets and liabilities during the period are as follows:

In thousands of Euro	**2010**	2009
Loans and receivables	**(612)**	(14,655)
Cash and cash equivalents	**4,265**	1,612
Derivatives	**97,647**	19,034
Financial liabilities measured at amortised cost	**(51,234)**	16,450
Financial liabilities measured at fair value	**3,038**	0
	53,104	22,441

This includes foreign exchange rate gains (losses), impairment losses and reversals of impairment losses, changes in fair value recognised in profit or loss and gains (losses) on disposal.
No interest income, fee income and fee expense was accrued on impaired financial assets during the period (2009: none).

31. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its Directors and key management as well as with its associates (see note 8). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 90 to 99). The share-based payment scheme for Executive Directors and certain senior executives of the Group is detailed in note 13.

One of the Executive Directors of the Group controls a voting share of 2.64% (2009: 2.64%) of airberlin. In addition, a receivable of € 4 is due from one of the Directors and is included in other current assets in the statement of financial position as at 31 December 2010 (2009: € 25).

One of the non-executive directors, also a shareholder of the Company with a voting share of 1.58% (2009: 1.58%), is the main shareholder of Phoenix Reisen GmbH. The Group had revenues from ticket sales with Phoenix Reisen GmbH in 2010 of € 20,024 (2009: € 18,679). At 31 December 2010 € 1,282 are included in the statement of financial position in trade receivables (2009: € 729).

During the years ending 31 December 2010 and 2009, associates purchased or delivered goods and services from the Group as follows:

In thousands of Euro	**2010**	2009
IBERO-Tours GmbH		
Other income from cost transfer	**0**	9
Expenses for services	**540**	87
THBG BBI GmbH		
Receivables from related parties	**2,397**	1,908
Interest income	**86**	0
Follow Me Entertainment GmbH		
Receivables from related parties	**50**	0
Interest income	**1**	0
BINOLI GmbH		
Revenues from ticket sales	**66**	417
Other income from cost transfer	**0**	380
Receivables from related parties	**93**	187
Trade and other receivables	**148**	9
Interest income	**30**	0
Lee & Lex Flugzeugvermietung GmbH		
Expenses for leasing	**2,622**	0
Receivables from related parties	**1,572**	764
Interest income	**70**	0
Payables to related parties	**1,462**	0
E190 Flugzeugvermietung GmbH		
Expenses for leasing	**4,270**	0
Receivables from related parties	**7,677**	0
Niki Luftfahrt GmbH		
Revenues	**127**	245
Other income from administrative services	**1,389**	2,381
Other income from cost transfer	**1,600**	6,000
Receivables from related parties	**0**	26,778

Transactions with associates are priced on an arm's length basis.
In 2010 no dividends have been received from associates (2009: none).
In connection with the concentration on core business, the Group disposed of its 50.0% share in IBERO-Tours GmbH, Düsseldorf, in the second quarter of 2010.
NIKI Luftfahrt GmbH is consolidated since 5 July 2010 (see note 5).

32. EXECUTIVE BOARD OF DIRECTORS

Joachim Hunold	Chief Executive Officer
Ulf Hüttmeyer	Chief Financial Officer
Christoph Debus	Chief Commercial Officer

33. SUBSEQUENT EVENTS

From the end of the 2010 financial year to the editorial deadline for the submission of this Annual Report on 18 March 2011, with the exception of the political upheavals in North Africa, no events occurred that could have significant impact on the business development of the Company. The events in North Africa adversely effected flight bookings to Egypt in particular. Numerous passengers cancelled their bookings after the German Government had issued travel warnings for Egypt. Accordingly, passenger numbers in the first quarter of the current financial year were effected.

34. NOTES TO THE COMPANY'S STATEMENT OF FINANCIAL POSITION

a) Significant accounting policies

The accounting framework and significant accounting policies described in notes 2 and 4 above also apply to the Company financial statements. In addition the following accounting policies were applied:
Investments in subsidiaries and in associates are recorded at cost less accumulated impairment losses and are tested for impairment if an indication of impairment exists.
Receivables from subsidiaries and payables to subsidiaries and to associates are initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest method.
The Company has recorded financial assets and liabilities in the statement of financial position.

Categories of financial assets and liabilities which apply to Air Berlin PLC are as follows:

- Loans and receivables
- Financial assets and liabilities at fair value through profit or loss classified as held for trading in accordance with IAS 39 (derivative financial instruments)
- Financial liabilities measured at amortised cost (includes trade payables and other financial liabilities as well as interest-bearing liabilities)

The Company has defined the following classes of financial assets and liabilities:

- Loans and receivables
- Derivative financial instruments classified as held for trading
- Financial liabilities measured at amortised cost (includes interest-bearing liabilities, trade payables and other financial liabilities)
- Cash and cash equivalents

b) Investments in subsidiaries

A detailed list of the companies in which the Company has interests, direct and indirect, is found in note 35 to the consolidated financial statements. The Company is general partner of Air Berlin PLC & Co. Luftverkehrs KG.

In thousands of Euro	**2010**	2009
Acquisition cost		
Balance at 1 January	**470,992**	220,958
Additions	**12**	33
Disposals	**(45)**	0
Increase in subsidiaries capital	**5**	250,001
Balance at 31 December	**470,964**	470,992

c) Investments in associates

The company acquired a 50% share in Follow Me Entertainment GmbH, Cologne, in the reporting period for € 13.

d) Deferred tax assets

Profit or loss before tax is completely attributable to Germany.

Income tax benefit (expense) is as follows:

In thousands of Euro	**2010**	2009
Current income tax benefit (expense)	**420**	(2,099)
Deferred income tax benefit	**36,696**	226
Total income tax benefit (expense)	**37,116**	(1,873)

The current income tax expense of the Company includes corporate tax, a solidarity charge in addition to corporate tax and trade tax. The current income tax expense includes € 77 of prior year income tax expense (2009: € 157 income tax benefit).

The tax rate of the Company equals 30.03% (2009: 29.98%). It consists of corporate tax rate and solidarity charge of 15.83% and trade tax of 14.20% (2009: 14.15%). The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates.

Reconciliation between the tax expense expected on the basis of profit for a period and the recognised income tax expense is as follows:

In thousands of Euro	**2010**	2009
(Loss)/Profit before tax	**(29,903)**	19,172
Expected income tax benefit/(expense) at 30.03% (2009: 29.98%)	**8,980**	(5,748)
Effect of change in tax rate	**17**	245
Effect of tax pooling agreements with subsidiaries	**30,018**	9,084
Write down of deferred tax assets on tax loss carry forwards	**(8,185)**	(2,865)
Effect from non-deductible expenses	**(2,613)**	(2,552)
Deferred tax benefit due to prior years	**1,837**	0
Effects of redemption of convertible bonds	**7,542**	0
Current tax (expense)/benefit previous years	**(77)**	157
Other	**(403)**	(194)
Total income tax benefit/(expense) recognised	**37,116**	(1,873)

The total tax loss carry forward was € 44,832 (2009: € 20,136) for trade tax purposes and € 272,643 (2009: € 120,986) for corporation tax purposes as at 31 December 2010. As of 31 December 2010, no additional deferred tax assets were capitalised for further loss carry forwards of € 68,647 for corporate tax (2009: € 15,126). The tax loss carry forwards are not subject to expiration.

Deferred tax assets are attributable to the following assets and liabilities:

In thousands of Euro	**2010**	2009
Deferred tax assets		
Receivables	**122**	0
Accrued liabilities and provisions	**802**	1,041
Negative market values of derivatives	**0**	2,552
Tax loss carry forwards	**49,493**	21,690
Total deferred tax assets	**50,417**	25,283
Deferred tax liabilities		
Convertible bonds	**(6,309)**	(20,410)
Positive market values of derivatives	**(2,401)**	(17)
Total deferred tax liabilities	**(8,710)**	(20,427)
Offsetting	**50,417**	25,283
Deferred tax assets, net	**41,707**	4,856
Deferred tax assets, net beginning of period	**4,856**	19,751
Change in deferred tax assets	**36,851**	(14,895)
thereof related to items recorded in equity	**(155)**	15,121
Deferred income tax benefit	**36,696**	226

The deferred tax asset on tax loss carry forwards takes into consideration the expected future tax benefits.

Income tax recognised in equity

	2010			2009		
In thousands of Euro	Before tax	Tax expense	Net of Tax	Before tax	Tax (expense) benefit	Net of Tax
Transaction costs on issuance of shares	(565)	169	(396)	(4,470)	1,340	(3,130)
Refund of transaction costs on issuance of new shares	0	0	0	4,184	(1,606)	2,578
Convertible bond and related transaction costs	0	0	0	49,549	(14,855)	34,694
	(565)	169	(396)	49,263	(15,121)	34,142

e) Loans to subsidiaries and other loans receivable

In these positions are included:
A long-term loan was concluded with LTU Beteiligungs- und Holding GmbH (€ 140,000) with a yearly interest rate of 1%. The loan was prolonged till 31 December 2011.
In addition the Company has a long-term loan to LOMA GmbH of € 15,200. The loan is due in 2011 and has a yearly interest rate of 1%.
The company signed a non limited loan with AB Luftfahrttechnik Düsseldorf GmbH (€ 26,166) with a yearly interest rate of 1%. The loan can be called with a notice period of one month to the end of a month.

f) Long-term loans to associates

The company entered into two loans with Binoli GmbH of € 250 each. The loans were agreed with an indefinite maturity and a 6 per cent interest rate. Due to the at-equity accounting concerning investments in associates the investment in Binoli GmbH was written off to zero and the loans have been written down by € 407 (see note 8).
Furthermore the company entered into a loan with Follow Me Entertainment GmbH of € 50 with 5 per cent interest rate. The loan can be cancelled at any time.

g) Receivables from subsidiaries

Receivables due to profit and loss transfer agreements are included with € 21,543 (2009: € 21,228).
Cash pooling agreements were concluded to bundle the Group's financial activities. At the end of the period the receivables from cash pooling amounts to € 53,739 (2009: € 29,470).
The remaining receivables result from trade, clearing accounts and interest for the group-loans.

h) Receivables from associates

Receivables from associates include the clearing account with Binoli GmbH € 149 (2009: € 149).

i) Share capital and reserves

The capital structure of Air Berlin PLC is that of the Group, except that certain reserves on the consolidated level are not relevant at Company level.
A full description of the Company's share capital and reserves is detailed in note 11 to the consolidated financial statements.
The Employee Share Plan is detailed in note 13 to the consolidated financial statements.

j) Pension liabilities

In 2007 Air Berlin PLC entered into a defined benefit pension plan for its Executive Directors. The pension plan is funded through payments to a qualifying insurance contract.

The development of the company's defined benefit obligations during the period is as follows:

In thousands of Euro	2010	2009
Present value of funded obligations	**4,482**	6,364
Fair value of plan assets	**(5,369)**	(7,816)
Funded status	**(887)**	(1,452)
Amount not recognised due to limitation in IAS 19.58(b)	**887**	1,452
Pension liabilities	**0**	0

Changes in the present value of the defined benefit obligation are as follows:

In thousands of Euro	2010	2009
Defined benefit obligation at 1 January	**6,364**	3,685
Current service cost	**298**	1,322
Interest on obligation	**337**	230
Actuarial losses	**1,502**	1,127
Transfer to subsidiary	**(4,019)**	0
Defined benefit obligation at 31 December	**4,482**	6,364

Changes in the fair value of plan assets are as follows:

In thousands of Euro	2010	2009
Fair value of plan assets at 1 January	**7,816**	4,701
Contribution	**1,570**	3,364
Expected return on plan assets	**447**	200
Actuarial losses	**(445)**	(449)
Transfer to subsidiary	**(4,019)**	0
Fair value of plan assets at 31 December	**5,369**	7,816

Plan assets consist exclusively of external contracts with insurance companies in Germany. These insurances could potentially include shares in Air Berlin Plc. However, due to strict requirements in Germany regarding the structure of insurance companies, the percentage of airberlin shares held would be minimal.
The actual gain on plan assets was € 2 during the period (2009: loss: € 249). No experience adjustment was made during the period.

The amount recognised as pension expense in profit or loss is as follows:

In thousands of Euro	2010	2009
Current service cost	**298**	1,322
Interest on obligation	**337**	230
Expected return on plan assets	**(447)**	(200)
Net actuarial losses recognised in the period	**1,947**	1,576
Effect of the limitation in IAS 19.58 (b)	**(565)**	436
Pension expense	**1,570**	3,364

The Company expects to contribute € 1,602 to its defined benefit pension plan in 2011.

Principal actuarial assumptions at the reporting date are as follows:

	2010	2009
Discount rate at 31 December	**4.65%**	5.39%
Expected return on plan assets at 1 January	**4.30%**	4.30%
Future salary increases	**0.00%**	0.00%
Cost of living adjustment (future pension increases)	**1.00%**	1.00%

Assumptions regarding future mortality are based on published statistics and mortality tables ("Richttafeln 2005 G" published by Heubeck-Richttafeln-GmbH). The average remaining life expectancy of an individual retiring at age 65 is 20 years for males and 25 years for females.

k) Other non-current liabilities to subsidiaries

The Group issued two convertible bonds with a volume of € 220,000 (issued in 2007) and € 125,000 (issued in 2009). Air Berlin is accounting for these bonds in the same way as the Group. For further information see note 16.
The convertible bonds were issued by AB Finance B.V., and the proceeds were transferred to Air Berlin PLC with the same conditions as the bonds.
During the reporting period the company redeemed convertible bonds issued in 2009 with a nominal volume of € 109,450 and transferred them to AB Finance B.V. to payback the respective loan. In the prior year the company redeemed convertible bonds issued in 2007 with a nominal volume of € 84,000 and transferred them to AB Finance B.V. to payback the respective loan.
The disclosures regarding the liquidity risk and maturity analysis in respect of the convertible bonds are detailed in note 16 and 30c.
Another loan agreement was concluded with AB Finance B.V. (€ 2,000). The loan is due on 11 April 2027 and has a yearly interest rate of LIBOR plus 1%.

l) Accrued liabilities

Accrued liabilities primarily relate to expenses for services received but not yet invoiced as of the end of the period.

m) Payables to subsidiaries

Payables to subsidiaries include € 7 (2009: € 14,181) regarding profit and loss transfers and € 180,859 (2009: 159,340) regarding cash pooling agreements.

n) Fair values

Fair value is the amount obtainable in an arm's length transaction between knowledgeable willing parties. The carrying amounts of financial assets and liabilities approximate their fair values.

The fair values of financial assets and liabilities, together with their carrying amounts shown in the statement of financial position, are as follows:

		31 December 2010		31 December 2009	
			Carrying		Carrying
In thousands of Euro	Note	amount	Fair value	amount	Fair value
Long-term loans to subsidiaries	34e	0	0	15,200	15,200
Long-term loans to associates	34f	143	143	39	39
Other long-term loans	34e	0	0	1,500	1,500
Short-term loans to subsidiaries	34e	199,802	199,802	185,182	185,182
Receivables from subsidiaries	34g	139,850	139,850	91,200	91,200
Receivables from associates	34h	149	149	149	149
Total loans and receivables		339,944	339,944	293,270	293,270
Positive market values of derivatives classified as held for trading		8,073	8,073	58	58
Cash and cash equivalents		138,956	138,956	104,295	104,295
Financial liabilities measured at amortised cost:					
Interest-bearing liabilities	16	(195,033)	(211,000)	0	0
Non-current liabilities to subsidiaries	34k	(141,476)	(141,476)	(198,089)	(198,089)
Trade payables and payables to subsidiaries	34m	(200,949)	(200,949)	(183,139)	(183,139)
Total financial liabilities measured at amortised cost		(537,458)	(553,425)	(381,228)	(381,228)
Negative market values of derivatives classified as held for trading:		(67)	(67)	(8,513)	(8,513)
		(50,552)	(66,519)	7,882	7,882

o) Related party transactions

The Company has related party relationships with its Directors and subsidiaries (see note 31 to the consolidated financial statements). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 90 to 99).
One of the Executive Directors of the Group controls a voting share of 2.64% (2009: 2.64%) of airberlin. In addition, one of the non-executive directors is also a shareholder of the Company with a voting share of 1.58% (2009: 1.58%).

The Company had the following transactions with related parties during the years ending 31 December 2010 and 2009:

In thousands of Euro	**2010**	2009
Air Berlin PLC & Co. Luftverkehrs KG		
Revenues	**3,692**	4,155
Interest Income	**777**	477
Receivables from subsidiaries	**50,123**	24,427
Other operating expenses	**534**	540
Payables to subsidiaries	**6,714**	5,436
Pegasus 1. – 7. Luftfahrtbeteiligungsgesellschaft mbH		
Revenues	**24**	17
Receivables from subsidiaries	**13**	0
Payables to subsidiaries	**195**	181
Alpha Engine Trading GmbH		
Receivables from subsidiaries	**659**	660
Payables to subsidiaries	**2,652**	2,655
Air Berlin Beteiligungs GmbH		
Receivables from subsidiaries	**90**	0
Payables to subsidiaries	**0**	13
Belair Airlines AG		
Revenues	**0**	0
LTU Beteiligungs- und Holding GmbH		
Interest Income	**1,416**	1,416
Receivables from subsidiaries	**144,305**	142,818
Payables to subsidiaries	**0**	24
AB Luftfahrttechnik Berlin GmbH		
Interest Income	**11**	36
Receivables from subsidiaries	**45,181**	37,443
Payables to subsidiaries	**16,740**	13,417
AB Luftfahrttechnik Düsseldorf GmbH		
Interest Income	**265**	182
Receivables from subsidiaries	**25,966**	26,700
Payables to subsidiaries	**3,932**	14,403
AB Luftfahrttechnik Köln GmbH		
Receivables from subsidiaries	**2,553**	903
LTU Lufttransport Unternehmen GmbH		
Receivables from subsidiaries	**22,189**	15,000
Leisure Cargo GmbH		
Receivables from subsidiaries	**7,612**	2,256

Loma Beteiligungsgesellschaft mbH		
Interest Income	**248**	332
Receivables from subsidiaries	**15,965**	15,717
Air Berlin 1. –9. LeaseLux Sàrl		
Revenues	**20**	0
Receivables from subsidiaries	**1,404**	1,282
Air Berlin Netherlands B.V.		
Interest Income	**11**	47
Receivables from subsidiaries	**1,110**	1,937
Payables to subsidiaries	**1,996**	2,001
Air Berlin Finance B.V.		
Expenses from convertible bonds	**12,307**	17,189
Interest Expenses	**97**	0
Receivables from subsidiaries	**9.463**	174
Payables to subsidiaries	**141,838**	198,364
Air Berlin Technik Ltd.		
Interest Income	**23**	47
Receivables from subsidiaries	**2,432**	2,397
Air Berlin Fünfte Flugzeug GmbH		
Revenues	**10**	0
Interest Expenses	**43**	264
Receivables from subsidiaries	**10**	0
Payables to subsidiaries	**119,802**	89,563
Air Berlin Sechste Flugzeug GmbH		
Interest Expenses	**10**	78
Payables to subsidiaries	**26,844**	26,866
Air Berlin Siebte Flugzeug GmbH		
Interest Income	**25**	0
Receivables from subsidiaries	**2,662**	2,641
Payables to subsidiaries	**5,138**	5,148
Air Berlin Zwölfte Flugzeug GmbH		
Payables to subsidiaries	**227**	0
Air Berlin Erste Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**5,301**	5,301
Payables to subsidiaries	**811**	819
Air Berlin Dritte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**4,111**	4,111
Payables to subsidiaries	**540**	544
Air Berlin Vierte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**3,533**	3,533
Payables to subsidiaries	**451**	455

Air Berlin Achte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**60**	60
Air Berlin Neunte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**15**	15
Air Berlin Finance GmbH		
Receivables from subsidiaries	**96**	0
Air Berlin PLC & Co. Airport Service KG		
Revenues	**15**	0
Receivables from subsidiaries	**18**	15
Air Berlin PLC & Co. Cabin Service KG		
Revenues	**15**	0
Receivables from subsidiaries	**18**	15
Air Berlin PLC & Co. DUS Service KG		
Revenues	**15**	0
Receivables from subsidiaries	**18**	15
Air Berlin PLC & Co. Service Center KG		
Revenues	**15**	0
Receivables from subsidiaries	**18**	15
AB Finance II GmbH		
Interest Expenses	**5**	105
Receivables from subsidiaries	**2,996**	3,000
Payables to subsidiaries	**12,493**	20,919
Euconus GmbH		
Receivables from subsidiaries	**0**	10
JFK Stiftung		
Receivables from subsidiaries	**1,182**	1,182

p) Employees

The Company employs the three Executive Directors (2009: four employees and three Executive Directors). The Directors remuneration is included in note 23 above as well as in the Directors' Remuneration Report on pages 90 to 99.

The Executive Directors are participants in the Employee Share Plan 2006, which is described in detail in note 13 above as well as in the Directors' Remuneration Report. In addition, € 1,570 (2009: € 3,364) was paid to a defined benefit plan.

35. CONSOLIDATED ENTITIES

The following entities are included in the consolidated financial statements:

Subsidiaries	Country of incorporation	**2010**	2009
AB Erste Flugzeugvermietungs GmbH	Germany	✈	✈
AB Zweite Flugzeugvermietungs GmbH	Germany	✈	✈
AB Dritte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Vierte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Achte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Neunte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Zehnte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Luftfahrttechnik Berlin GmbH	Germany	✈	✈
AB Luftfahrttechnik Düsseldorf GmbH	Germany	✈	✈
AB Luftfahrttechnik Köln GmbH	Germany	✈	✈
AB Luftfahrtbeteiligung GmbH	Austria	✈	
Air Berlin Beteiligungsgesellschaft mbH	Germany	✈	✈
Air Berlin Finance B.V.[1]	Netherlands	✈	✈
Air Berlin Finance GmbH	Germany	✈	✈
Air Berlin Finance II GmbH[1]	Germany	✈	✈
Air Berlin Netherlands B.V.[1]	Netherlands	✈	✈
Air Berlin PLC & Co. Luftverkehrs KG[1]	Germany	✈	✈
Air Berlin PLC & Co. Airport Service KG[1]	Germany	✈	✈
Air Berlin PLC & Co. Cabin Service KG[1]	Germany	✈	✈
Air Berlin PLC & Co. Verwaltungs KG (formerly: Air Berlin PLC & Co. DUS KG)[1]	Germany	✈	✈
Air Berlin PLC & Co. Service Center KG[1]	Germany	✈	✈
Air Berlin Switzerland GmbH[1]	Switzerland	✈	✈
Air Berlin Technik Ltd.[1]	United Kingdom	✈	✈
Air Berlin 1. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 2. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 3. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 4. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 5. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 6. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 7. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 8. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 9. LeaseLux Sàrl[1]	Luxembourg	✈	
Air Berlin Fünfte Flugzeug GmbH	Germany	✈	✈
Air Berlin Sechste Flugzeug GmbH	Germany	✈	✈
Air Berlin Siebte Flugzeug GmbH	Germany	✈	✈
Air Berlin Zwölfte Flugzeug GmbH	Germany	✈	✈
Alpha Engine Trading GmbH	Germany	✈	✈
Belair Airlines AG[1]	Switzerland	✈	✈

CHS Cabin & Handling Service GmbH	Germany	✈	✈
CHS Switzerland AG[1]	Switzerland	✈	✈
CHS Holding & Services GmbH[1]	Germany	✈	✈
CHS Netherlands N.V.[1]	Netherlands		✈
CHAS Italy s.r.l.[1]	Italy	✈	✈
CHAS UK Ltd.[1]	United Kingdom	✈	✈
Euconus Flugzeugleasinggesellschaft mbH	Germany	✈	✈
JFK Stiftung	Switzerland	✈	✈
Leisure Cargo GmbH[1]	Germany	✈	✈
Loma Beteiligungsgesellschaft mbH	Germany	✈	✈
LTU Beteiligungs- und Holding GmbH[1]	Germany	✈	✈
LTU Lufttransport Unternehmen GmbH	Germany	✈	✈
NIKI Luftfahrt GmbH	Austria	✈	
Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Fünfte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Air Berlin Employee Share Trust [1, 2]	United Kingdom	✈	✈

[1] Shares held directly by Air Berlin PLC (the remaining subsidiaries are held indirectly through other Group companies).
[2] The company is consolidated as a Special Purpose Entity.

Except for NIKI Luftfahrt GmbH (Air Berlin PLC holds indirectly 49.9% of the share capital) and the special purpose entity, Air Berlin Employee Share Trust, Air Berlin PLC holds (directly or indirectly) 100% of the share capital of the subsidiaries.

GLOSSARY AVIATION

ANCILLARY REVENUE
Supplementary revenue beyond ticket sales.

APU
Auxiliary Power Unit – an auxiliary power generator that is primarily used in aircraft.

ASK
Available seat kilometres; number of seats available for sale, per flight segment, multiplied by the number of kilometres flown on a flight. Measure of an airline's performance capacity.

BLOCK HOURS
The time during which an aircraft is in revenue service. Calculated from gate departure (push-back) before take-off to standstill at the gate following landing.

DRY LEASE
Leasing of an aircraft without personnel.

FLAG-CARRIER
National airline, either currently or in the past government owned or under government control. The term "legacy carrier" is also used.

FRILLS
Means the same as "odds and ends". No-frills airlines are airlines which lower the ticket price as much as possible by doing away with free services and/or additional services.

IATA
International Air Transport Association.

LOW-COST-CARRIER (LCC)
Also known as "low-fare carrier". "No-frills airline".

PAX
Passenger.

RPK
"Revenue Passenger Kilometres". Number of passengers multiplied by the number of kilometres they cover in flight.

SLOT
Time window within which an airline can use an airport for take-off or landing.

PASSENGER LOAD FACTOR
Percentage value to indicate the utilisation of an aircraft or an entire fleet within a certain time period, either on a route or within a route network. Represents the ratio of the revenue passenger kilometres (RPK) to the available seat kilometres (ASK).

WET LEASE
Leasing an aircraft including personnel.

YIELD
Average revenues. Average revenues per selected output unit. The unit could be a single passenger, a single kilometre flown, or the revenue passenger kilometres.

YIELD MANAGEMENT
Price management system to increase average earnings.

GLOSSARY FINANCIAL MARKET

ACCRUED LIABILITIES AND PROVISIONS
Liability items in the annual financial statements that encompass outgoing payments and/or decreases in value of later periods as expenditure of the accounting period. The exact amount and/or time of these items is not known on balance sheet date, but their occurrence is sufficiently certain.

ACQUISITION & LEVERAGED FINANCE
Financing of company transactions that lead to a change in ownership structure, whereby equity and borrowed capital are used.

AFFILIATED COMPANIES
The term covers Air Berlin PLC and all subsidiaries included in the consolidated financial statements (see note 35).

ANCILLARY REVENUE
Supplementary revenue beyond ticket sales.

ASSOCIATED COMPANY
A company that is not under uniform management or majority-owned by a controlling company, but on which nevertheless the controlling company exercises considerable influence (shareholding greater than 20 per cent).

AT-EQUITY VALUATION
Valuation of investments in associated companies, whereby their share of equity capital and share of profit for the year are taken into consideration.

CAP
Contractual agreement where for the payment of a premium a buyer acquires a guaranteed interest rate ceiling for an agreed period. If the market interest rate rises above this ceiling at the individual times when the rate of interest for the next interest period is determined, the cap seller must compensate the amount of the difference.

CAPITAL CONSOLIDATION
Equity links between the companies of a group must be eliminated in the consolidated financial statements. Here the investment book value is offset against the proportionate shareholders' equity amounts of the subsidiaries.

CASH FLOW
Business ratio for the earning and financial power of a company within the framework of an analysis of the company. It gives an indication of the degree to which a company has liquid assets arising from its business turnover within an accounting period.

CONSOLIDATION
Addition of partial accounts to a total account – for example of individual balance sheets of the companies of a group to the consolidated balance sheet.

CONSOLIDATED GROUP
All of the group companies included in the consolidated financial statements.

CONSOLIDATION OF REVENUE AND EXPENDITURE
As a matter of principle only revenue and expenditure can be considered in the consolidated income statement that results from business activities with entities outside the group. Revenue and expenditure resulting from internal transactions must therefore be eliminated in the consolidated financial statements. These include internal sales, group charges, interest expenditure and earnings arising from intragroup liabilities as well as intragroup profit and loss transfers.

CORPORATE GOVERNANCE
Code of behaviour that defines guidelines for the transparent management and control of companies. It creates transparency, strengthens confidence in the company management and in particular serves the protection of the shareholders.

DEBT CONSOLIDATION
Consolidation measure that must be carried out when the consolidated financial statements are prepared. Here not only the items shown in the balance sheet but all intragroup accounts receivable and payable must be taken into consideration.

DEFERRED TAXES
Temporary differences to tax calculations in tax expenditure in individual and consolidated financial statements according to commercial law as compared to tax law. This item creates a meaningful correlation between the overall company result and the associated tax expenditure.

DEPRECIATION AND AMORTISATION
Investments are written off over their full useful life, so that the purchase price is spread over several years as expenses.

DERIVATIVES
Derived financial instruments whose valuation depends on the base value in each case – for example share, interest rate, foreign exchange or goods. Futures and options are important forms of derivative financial instruments.

DISINVESTMENT
Write-offs that are greater than replacement investments and serve to maintain the production system.

DISAGIO
Difference by which the repayable total of a loan is greater than the amount paid out.

DUE DILIGENCE
Intensive analysis and appraisal by external specialists of the financial, legal and business situation of a company including its risks and perspectives. Due Diligence forms the prerequisite for the preparation of an IPO (Initial Public Offering), the purchase or sale of a company or parts of a company as well as for granting of credit or capital increases.

DVFA/SG RESULT
Standardised output quantity developed by Deutsche Vereinigung für Finanzanalyse und Anlagenberatung (DVFA) and the Schmalenbach-Gesellschaft (SG). Here the reported profit after tax is adjusted to eliminate special influences that make it difficult to compare with other companies.

EBIT
Result from operating activities, Earnings Before Interest and Taxes.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation

EBITDAR
Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent.

ELIMINATION OF INTERCOMPANY PROFIT AND LOSS
Within the framework of the consolidated financial statements, profits and losses resulting from the intragroup supply of goods and services are to be considered as not realised as long as they have not left the consolidated group. The elimination of intercompany profits and losses is effected by the valuation of goods and services supplied at uniform consolidated group acquisition and production costs.

EQUITY RATIO
Business ratio of the capital structure analysis that quantifies the share of equity capital as a proportion of total capital. Calculation formula: shareholders' equity divided by balance sheet total.

FREE FLOAT
Proportion of shares of a public limited company not in the firm possession of certain shareholders, but held by many shareholders in small parcels.

GOODWILL
Difference between the purchase price of a company and its net worth (assets less liabilities).

HEDGING
Safeguarding the share price: through the sale or purchase of derivatives (futures, options, swaps), security positions can be safeguarded (hedged) against share market trends.

IFRS/IAS
Internationally applicable accounting standards that allow comparability of consolidated financial statements worldwide. Thanks to great transparency they fulfil the information expectations of investors and other addressees. The individual IFRS standards are called IAS (International Accounting Standards) and the newer standards are called IFRS.

INVESTMENT / CAPITAL EXPENDITURE
Expenditure for objects required for longer than just one year for production – from buildings through machinery to computer programs. Investment/capital expenditure contributes to safeguarding the future of companies and must be written down (depreciated) over the useful life.

INVESTMENT INTENSITY
Business ratio for analysis of asset structure that describes the ratio of fixed assets as a proportion of total assets.

JOINT VENTURE
Business cooperation between companies, usually limited in terms of time and function. Projects within the framework of a joint venture are carried out jointly by the participating partner companies.

MARKET CAPITALISATION
Result of the multiplication of number of shares by share price.

MERGERS & ACQUISITIONS (M & A)
Mediation of mergers and acquisitions of companies or parts of companies and the associated consulting of buyers and sellers.

OPTION
Right to purchase or sale of an option object from or to a contractual partner (writer) at a previously agreed fixed price, at a certain time or in a certain period. Purchase options are known as a "call", sales options as a "put".

PREPAID EXPENSES AND DEFERRED INCOME
Payments already made or received in advance during the reporting period, but which relate to a period after the balance sheet date.

PROFIT MARGIN
Profit after taxation divided by revenue.

PROJECTED UNIT CREDIT METHOD
Method for the valuation of pension obligations according to IAS 19. Here – in addition to the acquired pension benefits and entitlements effective on the balance sheet date – the increases in salaries and pensions to be expected in future are also taken into consideration.

PURCHASE PRICE ALLOCATION
Purchase price distribution: after the acquisition of a company the purchase price is distributed across the individual assets and liabilities.

R+D PROPORTION
Business ratio indicating R&D expenditure (Research & Development) as a share of turnover, expressed as a percentage.

RATING
Assessment of the creditworthiness of a company. Here forecasts are made as to the extent to which a company is capable of meeting its obligations arising from interest and capital repayments at an agreed point in time. The assessment takes into consideration factors specific to the company and the industry as well as country-specific risks. Ratings provide more transparency and better comparability. As a result, investors and creditors can more realistically estimate the risks of a financial investment.

RETAINED EARNINGS
Reserves accumulated from undistributed profits.

RETURN ON EQUITY (ROE)
Ratio of profit after tax to equity capital employed.

SHAREHOLDERS' EQUITY
Capital value introduced by the owners and which the company has accumulated over years as reserves. It is permanently available to the company.

SWAP
Agreement between two companies to swap payment flows at a future point in time. In the case of an interest swap, for an agreed nominal amount fixed interest payments are swapped for variable interest payments.

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FINANCIAL CALENDAR

TRAFFIC FIGURES DECEMBER 2010	11 JANUARY 2011
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